High-Tech Plugs into the Capitol

# california JOURNAL

July 2000
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## Silicon Valley: A special issue

1 **Geek-Speak:** Clueless on the meaning of "nerd birds" and "lasagna syndrome?" SV has a language all its own. Inside, we'll show you how to talk "techie."

2 **Gadget Happy:** Not everyone comes equipped with a PalmPilot and pager, as our story on the "Digital Divide" reveals.

3 **Beyond the Laptop:** We'll tell you how initiative petitions are the latest new tool for SV politicos who want action.

4 **All Dressed Up...** but nowhere to live. We explore how SV's hyper housing market affects high-tech's sneaker crowd.

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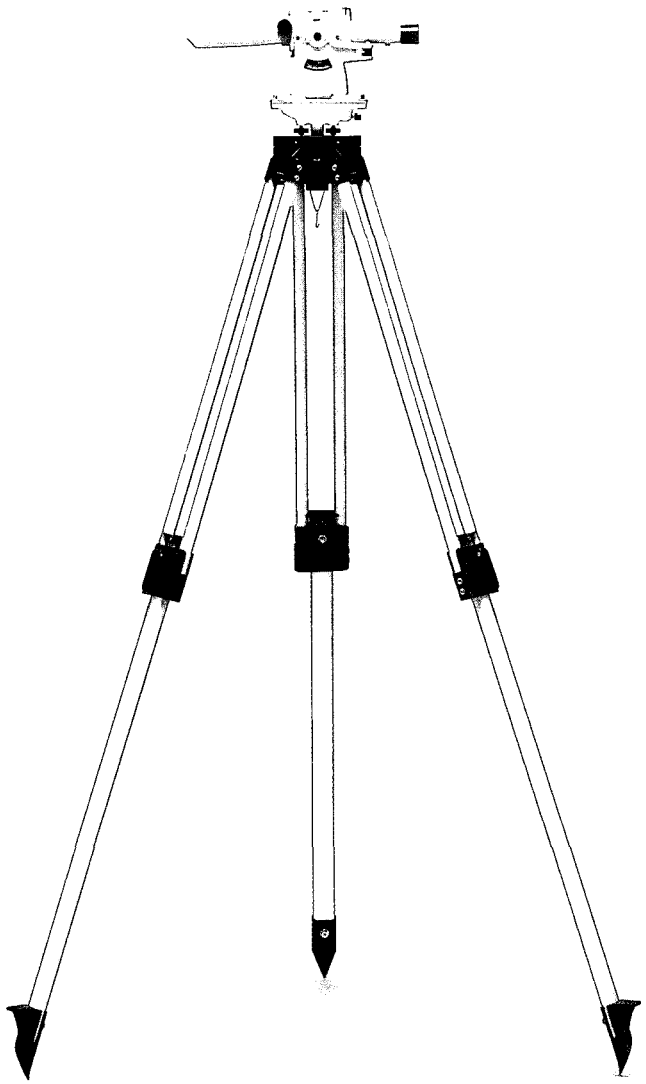

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# california JOURNAL

July 2000
Volume XXXI, Number 7



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## Coming home

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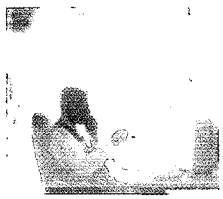
This special issue devoted to the Silicon Valley marks something of an alumni reunion, with two former *California Journal* editors returning to write for our pages. John Borland, whose feature on high-tech lobbyists appears inside, left Sacramento three years ago for San Francisco, where he now covers high-tech news for Cnet.com, an online publication. Mary Beth Barber, a former *CJ* assistant editor who wrote our piece on CalPERS delving into venture capital, keeps abreast of high-tech investing from her vantage point as a freelancer in New York City.

As for the Silicon Valley denizen on our cover, he's actually our own John Kelly, State Net's manager of technical services. Although he's a Sacramentan, not a Siliconite, he carries plenty of techie credentials. Kelly devises all the training and handles all the troubleshooting for State Net's vast network of computers. And yes, he carries a pager and cell phone at all times.


## Silicon Valley
Introducing another in our series of celebrated regional issues.
**By Cynthia H. Craft**



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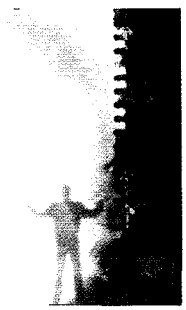
That's just what Silicon Valley entrepreneurs are doing, bypassing the Legislature and heading directly to the voters.
**By Scott Harris**



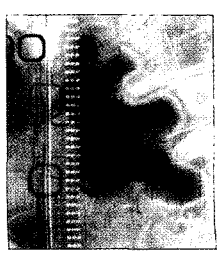
## Bridging the digital divide
In the land of computerized plenty, California's schools still lag behind.
**By Emelyn Rodriguez**

## Too many jobs, not enough houses
The never-ending struggle for affordable housing is threatening Silicon Valley's way of life.
**By William Fulton and Paul Shigley**

## High-tech lobbyists
Once virtually invisible, they're now a distinct feature of Sacramento's political landscape.
**By John Borland**

## Learning Geek-Speak
Silicon Valley has a language all its own.

## Down and Out in Silicon Valley
High-tech's wealth doesn't completely trickle down, leaving SV's working poor in line at food banks and homeless shelters.
**By Lisa Fernandez**



## CalPERS ventures out
California's retirees are becoming venture capitalists as the state's massive pension fund invests in high-tech start-ups.
**By Mary Beth Barber**



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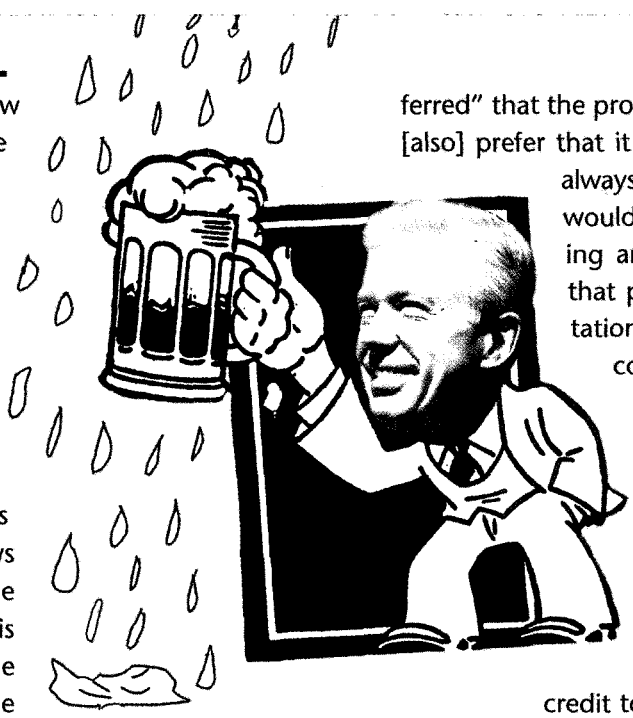
## umbrage

**Substance over style.** As of this writing it seems that Insurance Commissioner Charles Quackenbush is running out of options: either resign or risk an impeachment resolution for his alleged use of settlement fees to enhance his political career. While the walls closed in around the commish, the new game in Sacramento is trying to determine who gets credit for the kill. Two Democratic leaders — Senate Insurance Committee chair Jackie Speier (D-Hillsborough) and Attorney General Bill Lockyer — have worked hard to put their own personal stamps on the proceedings with their adversarial approaches to Quackenbush. But for all their thunder, most of the real work (and the key revelations) have come in the Assembly Insurance Committee. While the Senate tried to bring down Quackenbush with one fatal blow, the Assembly left the commissioner alone, yet methodically built a case around him so damning that even some Republican members openly suggested Quackenbush's impeachment. By avoiding the Senate's slam-bang approach, the Assembly panel was able to conduct a detailed examination of witnesses and documents that seemed at times plodding and repetitive but cast light on a wealth of information. The Senate sought a "smoking gun," found none and ended up wasting time. The Assembly sought no definitive "gotcha" but instead piled up a mountain of evidence and testimony that likely will prove more damaging to the insurance commissioner than any smoking gun.

**Roasting the guv.** With the economy roaring and Governor Gray Davis at the top of his political game, state lawmakers have few opportunities these days to get their licks in at Mr. "Implement My Vision." So there seemed to be particular relish in the words of some legislators when Davis was the target of this year's Capitol Focus roast. Quick-witted Assemblywoman Sheila Kuehl (D-Santa Monica) emceed the event, which featured barbs from, among others, Assembly Speaker Robert Hertzberg (D-Sherman Oaks) and Davis' former boss, Oakland Mayor (and former governor) Jerry Brown. But by most accounts, the line that will linger from the evening came from Senator Jim Brulte (R-Rancho Cucamonga), who just assumed the post of Senate minority leader. In discussing the relish with which Davis has raised gobs of campaign cash, Brulte made comparisons with the legacies of the two previous Democratic governors — Jerry and his father, Edmund G. "Pat" Brown. So far, said Brulte, Davis' enduring legacy will be as "the first governor with a tip jar on his desk." For his part, Davis responded with a take-off on TV's "The West Wing" with a video titled "The Moderate Wing." The video features a number of splendid bits, but the keeper comes at the end with Davis' impersonation of Senate President pro Tempore John Burton (D-San Francisco) at a news conference, complete with shaggy hair, mustache and leather bombardier's jacket.

**Wassaap?...**



We don't know what brand he drinks, but thanks to this year's budget negotiations, we do know the identity of Governor Gray Davis' favorite beverage. Speaking with reporters at a budget news conference, the guv was asked his reaction to the scaling back of one of his tax proposals. Davis said that he "preferred" that the proposal remain as is, but, "I [also] prefer that it rain beer, but you can't always get what you want." Davis would not be alone in celebrating any climatological miracle that produced malted precipitation. Still, it's appealing to conjure up the mental image of the starch-shirted, stiff-haired Davis standing outside in a downpour, an upturned stein in each hand, proclaiming himself "King of the World." Of course, he'd have to grudgingly give credit to the Almighty for implementing his vision.



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# Remembering John Jacobs

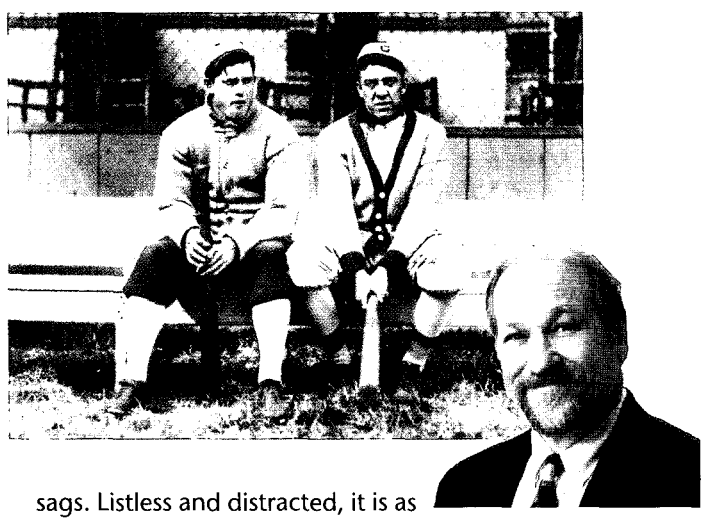
It is never easy to lose a friend, and the *California Journal* lost one of its best when John Jacobs died of cancer on May 24. Jacobs, political editor for McClatchy Newspapers, was many things to the *Journal*: reader, subscriber, counselor, contributor. Although an ardent supporter of this magazine, he cast an unflinching eye on our efforts and dispensed praise and constructive criticism in equal doses — qualities that also marked his work as a journalist. We will miss his advice. Even more, we will miss the guidance provided by the balanced and objective way he approached this profession.

Jacobs' first contact with the *Journal* came in the 1970s when, as a graduate student, he wrote two cover stories. His last piece – a profile of Phil Burton – appeared in November 1999 as part of a 30th anniversary issue featuring prominent California politicians of the 20th century.

Over the years, Jacobs developed an affection for the *California Journal* that was symbolized by a phone call shortly before that November issue came off the press. As a publication dedicated to politics and government, the *Journal* often struggles for public recognition, and Jacobs wanted to help. He had just come from a breakfast with *Washington Post* columnist David Broder, who Jacobs thought would be interested in our anniversary edition. He urged us to call Broder in hopes that we might earn a mention in one of his columns. He even provided Broder's room number at a local hotel. There was nothing in that call for Jacobs, except to assist a publication that he believed in and cared about, and whether or not Broder followed through is beside the point. Jacobs himself subsequently wrote a column about that anniversary issue, celebrating its strengths while noting what he believed to be its shortcomings.

## umbrage

For me personally, Jacobs' death at age 49 came as a shock, despite knowing of the cancer that he had beaten once already. He was an imposing man who carried himself with grace and good humor, and the irony of his physical collapse reminded me of a favorite photograph in my office. Taken in 1910, it shows two ballplayers seated side-by-side on a bench. Both are pitchers destined for the Hall of Fame, but the contrast between them is both startling and emblematic of their respective fates. On the left is Ed Walsh, 27, of the Chicago White Sox; on the right, Addie Joss, 28, of the Cleveland Naps. Walsh leans forward, the embodiment of vitality — robust, broad-shouldered, heavy-limbed, exuding an aura of confidence and strength. Joss, on the other hand,



sags. Listless and distracted, it is as though he already senses that something, somewhere, is acutely wrong. The picture is a prophesy. Less than a year later, Joss was dead, the victim of tubercular meningitis. Walsh survived him by 50 years.

I always considered John Jacobs to be Ed Walsh. Little did I suspect that he was Addie Joss.

But the truth is, Jacobs was both men.

His fragile body was Joss.

His vital spirit and robust career as a journalist were — and remain — Ed Walsh.

*— A.G. Block*

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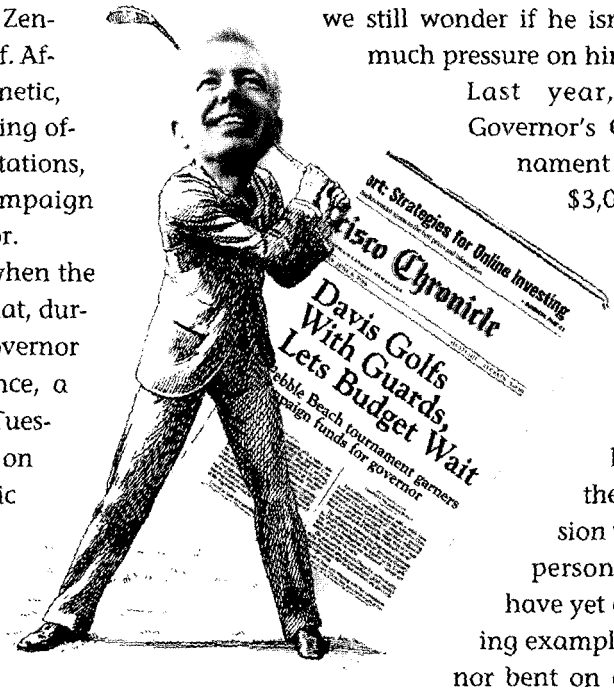
# Newsbreak:

## Gone golfing

We think the governor deserves a rest, a break, a getaway. Maybe head off to a beach resort, play a few Zen-like, rejuvenating rounds of golf. After all, Gray Davis has set a frenetic, record-breaking pace since taking office. He's surpassed all expectations, amassing larger piles of campaign dough than any other governor.

So it came as no surprise when the governor's office announced that, during the week of June 5 - 9, the governor had just one media appearance, a bill-signing in LA. For Monday, Tuesday, Wednesday and Friday, on the other hand, it was "No public events scheduled."

Maybe that should have read, "No events the public *needs to know about* scheduled."




On Tuesday, the governor squeezed in a few rounds of golf-by-the-sea at Pebble Beach's breath-taking course. And so did a whole lot of other high-rollers seeking access to Davis, and willing to pay $5,000 a head for it. We read in the *San Francisco Chronicle* of Davis' attendance at the annual tourney sponsored by the California Correctional Peace Officers Association. And while we are grateful to learn the governor's instinct tends toward ours, we still wonder if he isn't putting too much pressure on himself.

Last year, this same Governor's Cup golf tournament charged only $3,000 a head, and it managed to deliver Davis a tidy boost of $150,000. Prior to that, the price of admission was $2,500 per person. So here we have yet one more glaring example of our governor bent on overachieving. He's raised the price two years in a row, no doubt raising his expectations of himself in the process. Give yourself a break, guv.

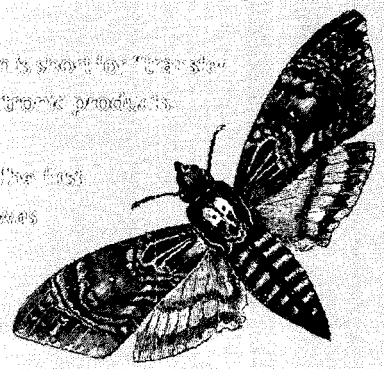
## Lexicon

### Silicon Valley Lore

It definitely was an odd thing to do, but the region nearly became known as Germanium Valley. The first semiconductor, demonstrated to Bell Labs in December 1947, used the element germanium to amplify electrical pulses. In the following years, however, silicon proved an even better semiconductor than germanium, and had the advantage of being readily available. Silicon makes up 90 percent of the earth's crust and is the principal element in sand.

"Transistor" wasn't even a word before its discovery. The term is short for "transconductance resistor." Today, transistors are the building blocks of all our electronic products.

The term "computer bug" started out as literal thing. The first large-scale digital computer was built in 1946. At 30 tons, it was massive. To do calculations, it required 150,000 watts and had 18,000 vacuum tubes. The warmth and glow of the tubes drew moths, which would enter the computer and trigger a short circuit. Thus, "computer bug" signaled a problem and "debugging," a solution.



Source: The Silicon Boys by David Kaplan

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# Innards of the economic machine:

## A captive work force

Want a sure-fire way to beat the ain't-got-'nuff-high-tech-worker blues? Tap into a young, willing and inexpensive population with nothing better going on (read captive audience) and spark up the training program.

That's exactly what savvy Cisco Systems is doing in Alameda County, where at-risk teenagers at juvy hall are proving themselves to be quick studies in tricks of the techno-trade. Last spring, Cisco set up Northern California's first high-tech training program for county juvenile court facilities. Its 280-hour curriculum is taught through the Web, with instructors and hands-on exercises.

Troubled teens learn networking and information technology – how to build, design and maintain computer networks.

Cisco's chairman of the board John Morgridge is almost deadpan in his enthusiasm for the program. "The Internet economy engine has been fueled by a well-trained work force. Cisco's Networking Academy Program ... is helping tomorrow's work force prepare for the future. More importantly, it serves as a successful solution to address the severe shortage of qualified workers."

Not only that, but it's jazzing up kids and steering them away from a life on the mean streets. Well, sort of. Tony Aweeka, instructor at Camp Wilmont Sweeney Education Center in San Leandro, reports: "Students are so eager to participate in the program that they're going through it two to three times faster than we've anticipated. The program is a favorite among the students, so much so that some teens were threatening to break the law again, just to stay in the program!"

— *Compiled by CJ Editors*

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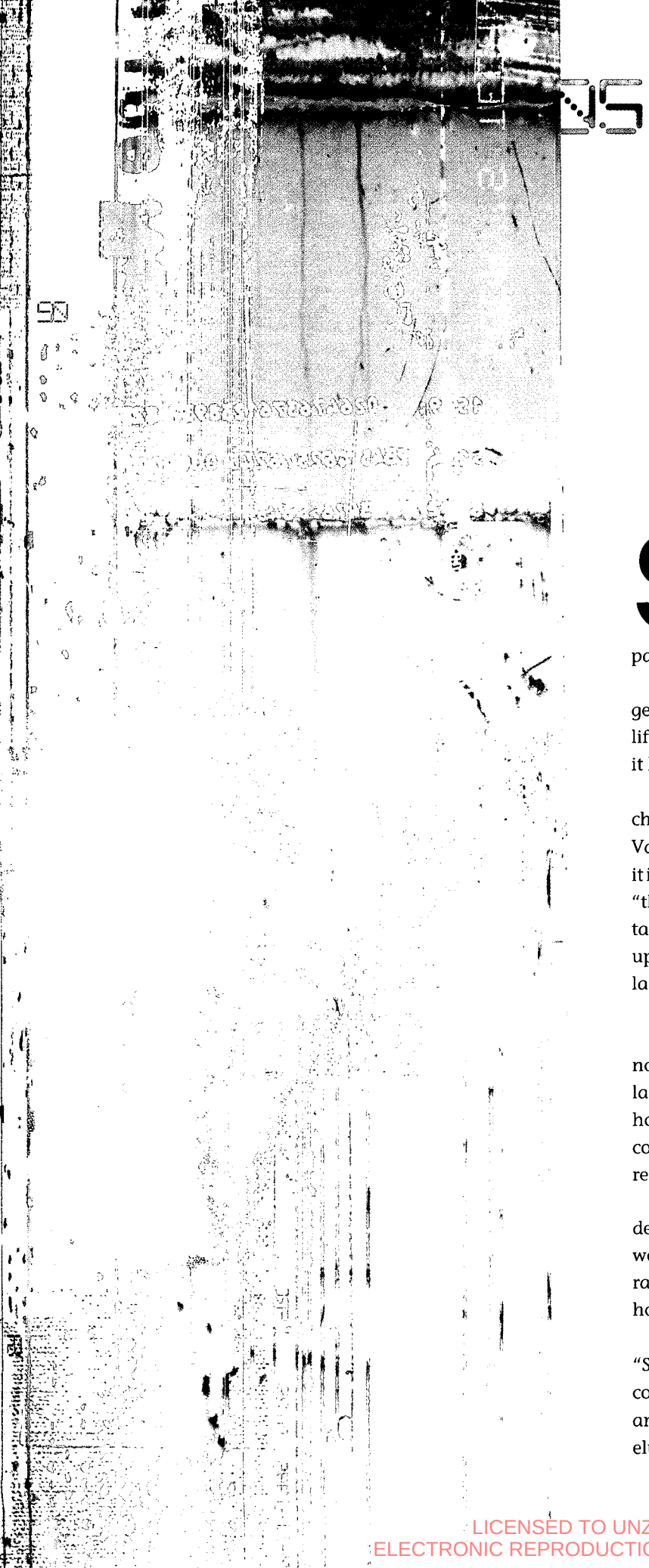

# Welcome to

## Home of unsurpasse ingenuity—and problems in need

Scan the Rand McNally for Silicon Valley. You won't find it by name anywhere on the standard road map. It is far more phenomenon than place, more a force than a mappable location.

Silicon Valley is California's rescuer. With the emergence of its New Economy, the Valley reached down and lifted California from the dank crevices of recession. Then it helped raise the Golden State to her highest heights yet.

Nestled among 1,500 square miles of onetime orchards and farmland in the Santa Clara Valley, Silicon Valley is no mere a geographic region. It's been said that it is a state of mind— the one place on Earth that represents "the purest expression of capitalism." Famed venture capitalist John Doerr, who risked his bets on just the right startups at just the right time, crows that the Valley is "the largest legal creation of wealth in the history of the planet!"

To some, that creates more woe than wonderment.

With the "haves" come their counterparts, the "havenots." With sudden affluence comes the squeeze, as those lagging in the race struggle to stay one step ahead of homelessness. With spiraling home prices come clogged commuter routes, smoggier air, frayed nerves, strained relationships, a lessened quality of life for everyone.

Obsessive 24/7/365 start-ups produce not just sleepdeprived dot-commers but communities out of kilter as workaholics squirrel themselves away in live-work spaces, rarely venturing out to become part of their neighborhoods.

On the upside, charitable giving by the new "Siliconaires" is increasing. But when career opportunity comes knocking, it usually calls upon those who think, live and look alike — making workplace diversity an ever more elusive concept.

The imbalances left in the wake of Silicon Valley's

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# Silicon Valley:

## Wealth, opportunity, growing passel of public policy solutions.

spurts of sudden wealth compose one giant public policy puzzle for players at the state Capitol. On the one hand, the last thing an elected official in Sacramento wants to do is fiddle with something that's not broken. And by statehouse standards, measured in the thick padding it affords the state budget, this economic engine — the current market slowdown notwithstanding — is far from broken. On the other hand, however the Valley's hardships are more and more evident in the lack of affordable housing, transportation gridlock and tax inequities.

As you read this special issue of the *California Journal* dedicated to the Silicon Valley — another in our celebrated series of regional editions — we hope some of the challenges facing our state and the Valley become clarified. You may find, as we do, that the time has come for our public servants and civic leaders to seize the day, launch the hunt for solutions and better define expectations for California, the world's seventh-largest economy, and Silicon Valley, the world's 12th-largest.

With two such undisputed powerhouses working together, there should be no digital divide. California should no longer rank dead last in the U.S. in providing classrooms with educational technology. Homelessness should not be a nagging threat in the shadows of the world's most prosperous valley. And small Ma-and-Pa shops that have been town pillars for decades should not suffer financially because only e-commerce sites on the Internet get the sales tax breaks.

To be sure, the Silicon Valley is many things to many people. To historians, it is a fascinating sequel to the Gold Rush. To tax collectors (and some campaign fund-raisers), it's a cash cow. To small investors, it's an irresistible itch to scratch. To policy-makers, it's a vexing balancing act. Here's hoping they weigh in wisely.

*— Cynthia H. Craft, editor*

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# Bypassing politics

## Seeking a direct line to state-level policy-making, the high-tech industry finds a shortcut around the Legislature via the high-speed initiative process.

By Scott Harris

The Silicon Valley loves initiative. Loves it, loves it, loves it. Without initiative, a couple of guys named Bill and Dave would have never created Hewlett-Packard, Steve Jobs and Steve Wozniak would have never offered us an Apple, Jerry Yang and David Filo would have had no reason to shout Yahoo!

So when it comes to politics, it should be no surprise that Silicon Valley types just love the California initiative process. This entrepreneurial approach to lawmaking, after all, is not so different from an Internet start-up. You begin with an idea, some gumption, a little seed money. What are those big, early donations but a form of venture capital? Instead of the initial public offering, you have your petitions. On Election Day, your little enterprise may soar or crash. Unlike the usual lawmaking process — the laborious lobbying, the tedious public hearings, the mother's milk that greases the gears — an initiative happens fast, almost in Internet time. Fast is something else the Valley loves.

Now come a couple more Silicon Valley types who not only have ideas and gumption, but fat wallets as well. Tim Draper and Reed Hastings aren't collaborators so much as rivals, each advancing initiatives on how best to reform California's woeful public schools. Once among the nation's best, the Golden State's schools now rank near Mississippi in terms of funding and test scores. The question is, what to do?

You say you want a revolution? Draper wants one. To him, school vouchers are the proverbial "killer app" that will fix California education. Vouchers, he says, will bust up a government-run monopoly far more menacing than Microsoft and unleash the positive forces of laissez-faire competition. One of the Valley's more colorful venture capitalists, the 40-year-old founder of Draper Fisher Jurvetson seems convinced that his voucher initiative will prove as popular as Hotmail, one of the successful start-ups he bankrolled.

But if vouchers make you queasy – a good chance, considering that a 1993 voucher initiative was rejected by 70 percent of the voters — then perhaps you'd favor the humbler, more mainstream reform proffered by Hastings, a 43-year-old software-tycoon-turned-e-tailer. Hastings' initiative — backed by Technology Network, or TechNet, a political alliance of Silicon Valley corporate leaders — would make it easier for school districts to pass bond measures. This plan,



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Downtown San Jose, the largest urban center of the Silicon Valley

Public transit is just beginning to get a foothold as evidenced by these riders at a San Jose RT stop.

supported also by the potent California Teachers Association, would lower the threshold for the passage of school bonds from two-thirds to 55 percent.

Draper's initiative is a long shot, while Hastings' is considered all but a sure thing. The 55 percent threshold, after all, represents a refinement of Proposition 26, Hastings' initiative last March to lower the ballot threshold to a simple majority. That proposition's narrow defeat was widely attributed to the fact that the Republican presidential primary battle between George W. Bush and John McCain attracted a more conservative electorate than usual.

## Saviors of education

Self-interest is one reason education reform is so popular in the Silicon Valley. The high-tech industry knows its future depends on a smart work force. "One way or another, the Silicon Valley will be the savior of education in California," says Larry Gerston, a California State University, San Jose, political science professor who has observed the region's political culture for more than 20 years. "It really doesn't have a choice. It has to."

But education isn't the only issue that inspires passion in the Silicon Valley. The voucher and school bond reform efforts will make 10 initiatives that have been pushed by Silicon kahunas since 1996—everything from tort reform to the unsuccessful "none of the above" measure last March. Of the initiatives that have already gone to the polls, only one has been successful: Ron Unz's 1998 assault on bilingual education.

But that batting average belies the Valley's true political progress. Favorable tort reforms have been adopted in Washington, D.C., and an earlier Hastings initiative led to a legislative compromise that raised the state's cap on charter schools from 100 to 250. The initiatives also played a key role in educating the Valley about how best to marshal its collective will. Indeed, an industry once known for its aversion to Washington, D.C., and Sacramento is now making up for lost time.

Long overshadowed by the liberal-cum-radical politics of the Bay Area at large—the protesters of Berkeley, the gays of San Francisco, the black militants of Oakland—the South

## The making of Silicon Valley

**1909** The Santa Clara Valley broadcasts the first continuous radio show, dubbed "San Jose Calling."

**1911** In Palo Alto, the electronic age is born with Dr. Lee de Forest's invention of the radio vacuum-tube amplifier.

**1924** Stanford U woos Frederick Terman, later regarded as the "Father of Silicon Valley."

**1939** Professor Terman urges two former students, David Packard and Bill Hewlett, to partner up in Palo Alto.

**1940** Canneries, ag fields, drying sheds and orchards still dominate the Santa Clara Valley, known by boosters as the "Valley of the Heart's Delight."

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Downtown Palo Alto exhibits the small-town atmosphere that still lingers in pockets of the Silicon Valley.

Traffic congestion is a daily headache on Valley freeways.

Bay and southern peninsula region has favored a quieter, more moderate, suburban brand of politics. Neither major party can claim dominance, but "Silicon Valley Republicans," as they sometimes call themselves, are economically conservative and socially liberal. High-tech types often express libertarian ideals. When not merely indifferent toward politics and policy, techies typically were disdainful. They reserved their fanaticism for science and business.

Now, however, their passions are affected by politics as never before. Often this awakening is summed up in one word: Microsoft. Bill Gates' allegedly precacious practices, coupled with his contempt for politics, made his firm an antitrust target, a development that has pleased many of his high-tech rivals while causing foreboding among other tech powerhouses such as Intel and Cisco. No less important, however, was a 1996 California initiative that put Silicon Valley on the defensive.

The initiative was Proposition 211, advanced by William Lerach, a San Diego attorney whose firm specialized in class-action shareholder lawsuits against corporations. Because of the volatility of their stocks, high-tech firms were especially vulnerable to such suits. Regardless of the merits of the claims, industry executives say, companies would often reach settlements rather than go to court.

For some time, tech execs had regarded such suits as "legalized extortion," recalls Tom Proulx, a cofounder of Intuit.

Proulx, on sabbatical from Intuit, decided to do something about it. In late 1995, he teamed up with software creator Andy Tobias to back a trio of tort reform initiatives on the March ballot. Propositions 200, 201 and 202 — packaged together for strategic reasons — called for no-fault auto insurance, tougher standards for filing class-action suits and a cap on lawyer contingency fees. All were defeated amid heavy opposition from trial lawyers.

Then Lerach counter-attacked. At a time when financier Michael Milken and banker Charles Keating were the poster boys for white-collar crime, Lerach pushed onto the November ballot Proposition 211, a measure that would have made high-ranking corporate executives and board members personally liable in stockholder suits. Early on, Proposition 211 was polling strongly.

**1943**

M opens a facility in Sa
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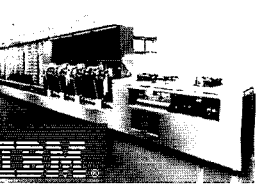
velops the first disk
emory for computers.



**1951**

Stanford U opens its Stanford Industrial Park, cementing the bond between high-tech tenants and academia.

**1959**

In Mountain View, Bob Noyce of Fairchild Semiconductor invents an integrated circuit, a "chip" the size of a fingernail.

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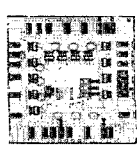
**1968**

Noyce and Gordon Moore team up to start Intel, which becomes the Bay Area's greatest industrial engine ever.

**1969**

Intel unveils its inaugural memory chip.



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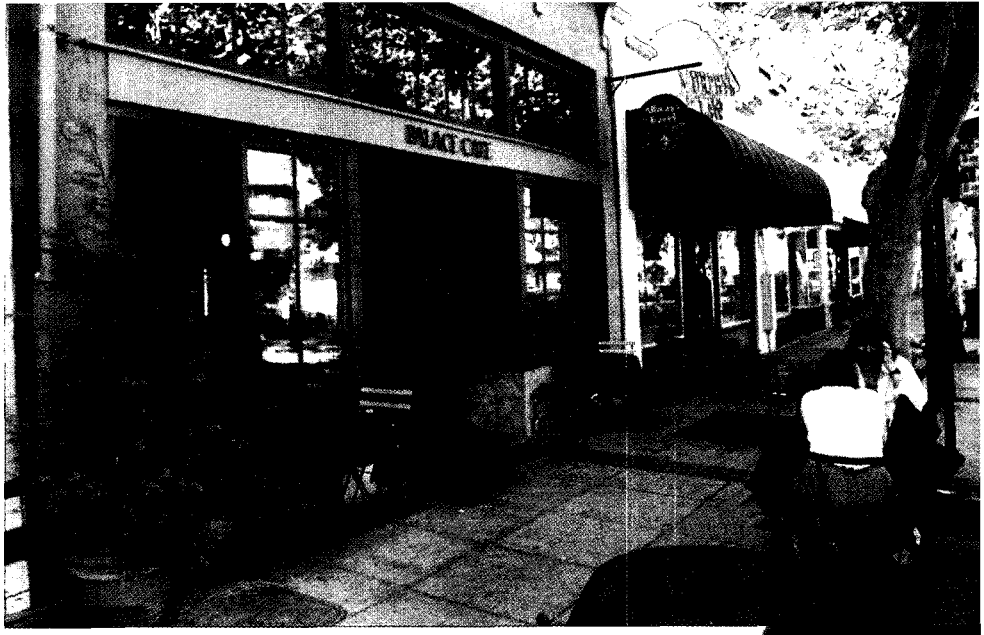
## Testing their strength

With their own assets on the line, such tech potentates as Jobs, Oracle founder Larry Ellison, Intel chairman Andy Grove, Cisco Systems CEO John Chambers and Sun Microsystems' Scott McNealy circled the wagons. Venture capitalist John Doerr — his credits include Intuit, Netscape and Amazon.com — was at the center of the campaign. Together, the tech crowd raised more than $40 million to defeat Proposition 211, securing key public support from President Bill Clinton.

Once the No-on-211 campaign was over, Doerr and others saw to it that the political alliance morphed into TechNet, the bipartisan group that pushes the Silicon Valley agenda by aggressively courting Democrats and Republicans alike.

Reed Hastings was TechNet's second president, a role he accepted for several reasons. One was that he had already made his millions as founder of Pure Software, a company he ultimately sold for $750 million. (Now he runs a second company, NetFlix.com, a DVD rental shop that anticipates the day when consumers will download movies off the Internet onto their digital TVs.) Long interested in education reform — Hastings did a Peace Corps stint teaching math in Swaziland — he returned to Stanford University to earn a master's degree in education. His first political foray was a 1998 initiative to promote charter schools. Next he turned his attention to the school bond threshold. Hastings estimates he has spent $10 million of his own money on his education initiatives. (Doerr, who also has contributed millions, is co-chairing the new school bond initiative with Cisco's Chambers.)



Street life in downtown Sunnyvale.

In many ways, Hastings and Draper are alike — 40ish family men with glittering academic and business credentials. Draper, whose grandfather and father were prominent venture capitalists, served on the state Board of Education as an appointee of Governor Pete Wilson; Hastings does so now as appointee of Governor Gray Davis.

Still, the differences are profound. Hastings represents the Silicon Valley's new political style: full-scale engagement, coalition-building, a respect for incremental progress. Draper, said by some Republicans to harbor political ambitions of his own, is part of Silicon Valley's old school: well-connected, yes, but distrustful of politics as usual. Draper, who is decidedly not a TechNet member, has written with libertarian zest in the *Wall Street Journal* about the insidious way political engagement leads to unwanted government regulation.

Reed Hastings

## Draper the innovator

A graduate of Stanford and Harvard Business School, Draper made his millions providing early financing for an array of Internet start-ups, often with splashy flair. Press clippings describe how Draper once led a crowd at a tech conference in Germany in dancing the *Macarena*. When his firm opened a branch in New York — a branch dubbed Draper Fisher Gotham — the marquee moneyman showed

**1971**

Intel rolls out its first microprocessor. *The Electronic News*, a weekly trade, dubs the Santa Clara Valley "Silicon Valley USA" in a headline. The name sticks.

**1972**

Atari releases "Pong," a video game that was the first Silicon Valley product with widespread popular appeal.

**1975**

Two teens in Seattle, Bill Gates and Paul Allen, use Intel chips to build operating systems and start a little company called Microsoft.

**1976**

Steve Wozniak and Steve Jobs start Apple. They sell 175 Apple I computers.

**1977**

Larry Ellison starts Oracle with just $2,000.



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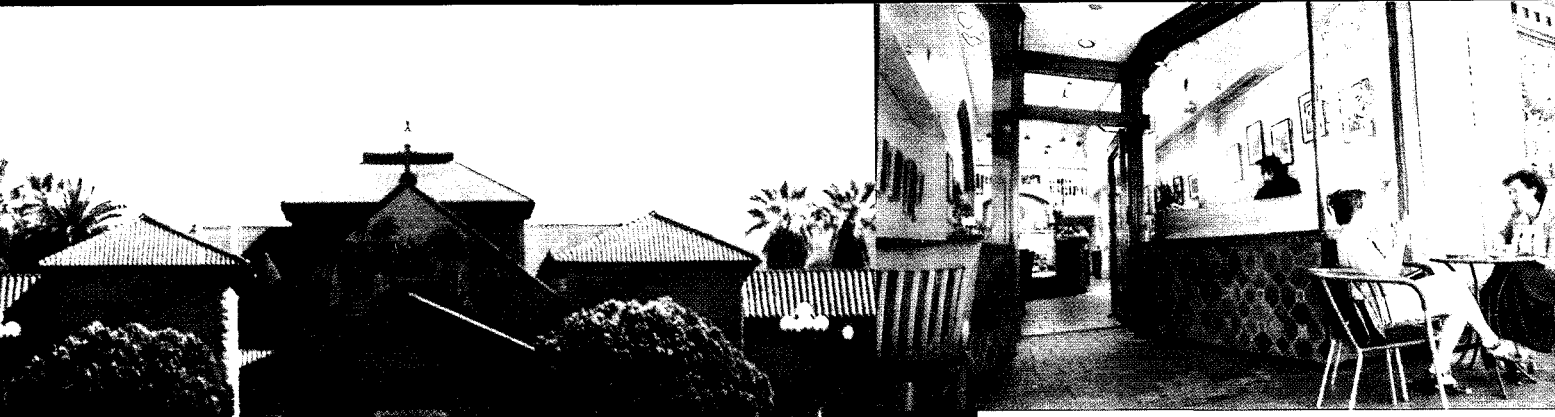
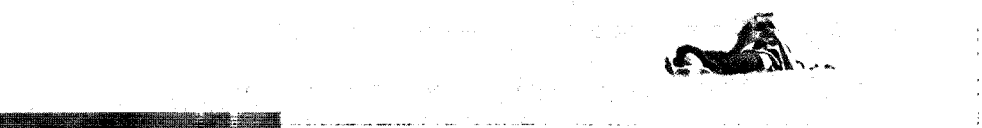


Coffee cafes are a popular place for Valley business deals and laptop lattes.



Stanford University, a catalyst in the growth of the Silicon Valley.

im Draper

up dressed as Batman.

In an interview at his Redwood City offices, Draper described how his own interest in education reform took root 10 years ago when his daughter, then 7, asked him to talk to her class about what he did at work. With trademark initiative, Draper created a four-day education program in which teams of students develop their own businesses, creating and selling friendship bracelets. That class inspired Draper to form a nonprofit called Bizworld to take the business education concept to other schools. Bizworld attracted Governor Wilson's attention and led to Draper's appointment to the state education panel. While on the board, Draper says, he became aware of the "systemic" troubles in public education and saw the need for drastic reform.

Draper's voucher plan would allocate $4,000 in vouchers per child for parents and guardians to spend on tuition at the school of their choice. Studies, Draper says, have shown that it costs the public system $7,400 to educate each child, compared to $3,400 at private schools. To those who say vouchers threaten public education, Draper argues that the money left behind by departing students could be spent on lowering class size and other benefits. A classic win-win, he says.

Skeptics abound, of course. The wonkish Unz, for example, likes to point out that the nations that are outperforming U.S. schools have done so with strong public education systems devoid of vouchers. Broad privatization of education, Unz argues, could lead to schools that, like Coca-Cola and Pepsi, spend much of their budget on marketing their brands, rather than on teaching. Worse still, Unz suggests, is the specter of a tax-funded network of schools presided over by the likes of white supremacists, bizarre cults, or Louis Farrakhan-type zealots, all fomenting social unrest. The key to saving California schools, Unz argues, is a return to the basics and the continued dismantling of such "fads" as bilingual education, "fuzzy math" and social promotion.

## Wary of vouchers

Hastings contends that Draper's plan would largely amount to a subsidy to parents who can already afford private schools. In the Bay Area, he says, every private school has a waiting list. With voters predisposed against vouchers, Hastings suggests, a plan that targets economically disad-

**Mid-1980s**

The semiconductor industry goes bust. Headlines proclaim the region the "Valley of Death."

**1996**

David Packard dies, leaving his fortune to the David and Lucille Packard Foundation, the second-richest charity ever.

**1999**

Apple's market share grows to 10%. Oracle is worth $50 billion. Intel is worth $225 billion. Bill Gates is the world's richest man. Venture capital flows. The cost of living soars.

**2000**

Ag has long since withered. Over-crowding clogs roads. Immigrants help meet demand for high-tech workers. Housing prices are so high that officials propose building public housing for teachers.

Sources: *The Wall Street Journal*, "The Silicon Boys" by David Kaplan.

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vantaged students would be a better solution — and have a better chance at passage. "He's going to get his head handed to him," Hastings said of Draper. It is not an uncommon sentiment.

Draper shakes his head and mutters when told of such critiques. There are waiting lists for private schools, he says, because public schools are failing. With vouchers, private schools can quickly expand operations. Businessmen like Hastings and Doerr, he suggests, ought to know better. The notion of vouchers funding Farrakhan Academies is something Draper dismisses as an overblown scare tactic.

Something else scares voucher opponents: Silicon Valley money. When asked about the *New York Times* description of him as a billionaire, Draper shrugged and said, "Believe what you want to believe." But Draper confirmed that he hopes to raise $40 million to push his voucher initiative — roughly the same sum the Silicon Valley spent to defeat Proposition 211. He launched the initiative, Draper said, because "somebody's got to do something. And I may be the only person who can." He is one of the few people, he suggests, who can tap into that much political capital.

Proulx, for one, doubts that Draper can do it. Although vouchers "have a lot of intellectual appeal around here" (Netscape founder Marc Andreessen supports them), it's one thing to raise $40 million in self-defense, he says, another advancing an idea that has no obvious groundswell of support. In the campaign to defeat Proposition 211, "hundred-thousand-dollar checks were common increments from people who hadn't written a political check in their lives," Proulx recalls. "If your ox is about to be gored, you spend whatever it takes."

Then again, even with recent market turbulence, tech fortunes have soared since '96. Forty million bucks today isn't nearly as much as it was four years ago. And while Draper won't reveal names, he says he already has some big supporters lined up.

Just imagine, for example, if Draper got help from Larry Ellison, now vying with Bill Gates for the title of world's richest man. Take $40 million from Ellison and he'd still be worth, oh, about $40 billion. (And then, of course, Ellison would become a political issue himself.)

But say that Draper raises megabucks from voucher fans across the nation. Say that he lines up support from parents who have their kids in parochial schools. Say that the level of disgust with the quality of education in inner-city schools turns parents against the voucher-hating teachers' union. Draper doesn't think small. As the Silicon Valley knows, those are the traits – lining up support and bucks – it takes to turn a little start-up into The Next Big Thing.

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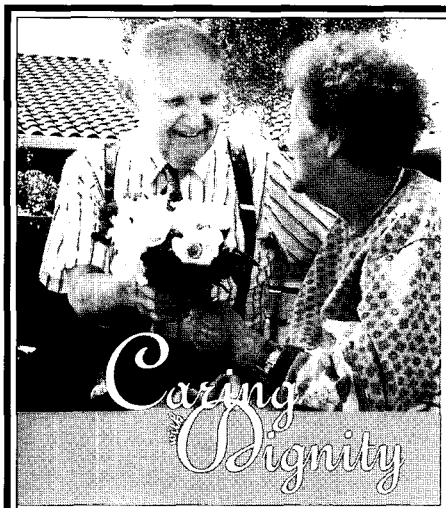
*Scott Harris writes from the Silicon Valley and formerly authored an award-winning column for the* Los Angeles Times. *Comments may be sent to* **edit@statenet.com.**


**An Open Letter to Governor Davis and the Legislature**

On behalf of the 150,000 dedicated caregivers and professionals in long-term care, thank you for recognizing the needs of our residents and responding to our pleas for increased funding in the 2000-2001 state budget.

As we enter the new millennium, it is heartening to see that California's decision-makers have acknowledged the need to improve care for the 300,000 veterans, elderly, ill and disabled who rely on us for their daily care.

We appreciate your help and believe that the additional resources represent a major step toward meaningful reform.

Roland G. Rapp,
Chairman of the Board
California Association of
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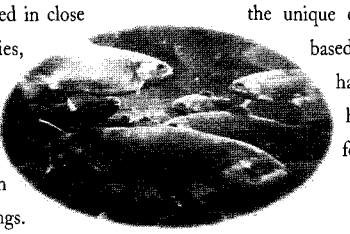
# Forestry of the Future.

## WATERSHED ANALYSIS

About one year ago, as part of the historic Headwaters Agreement, we began an unprecedented scientific examination of our forestlands and the streams that run through them. It's a process called Watershed Analysis. Over the next few years, we'll conduct this comprehensive analysis on each of the watersheds on our property (a watershed is the land that surrounds and drains into a river or stream). While the analysis is being completed – watershed by watershed – we're implementing strict environmental measures to protect salmon and improve water quality.

### COOPERATION AND COMMITMENT.

Our Watershed Analysis program was designed with the help of leading scientists and other experts. The project is being conducted in close cooperation with numerous state and federal agencies, including the U.S. Fish and Wildlife Service, the National Marine Fisheries Service, the California Department of Forestry and Fire Protection and the state Department of Fish and Game. We have received substantial input from the community through an extensive series of public meetings.



### USING SCIENCE AS OUR GUIDE.

Under our Watershed Analysis program, a team of scientists – foresters, biologists, hydrologists and geologists – are gathering and analyzing scientific data from our watersheds. By studying the local geology, terrain, climate, vegetation, land use history, and natural events, they can determine the current condition of the watershed and the relationship between various elements and activities.

### PROTECTING FISH AND IMPROVING WATER QUALITY

The result of this process will be "site-specific" measures tailored for the unique characteristics of each watershed. These measures, based on sound science, will protect fish and wildlife habitat, reduce sediment delivery from roads and hillsides and allow for a sustainable harvest of forest products.

### DOING IT RIGHT.

We believe it is possible to provide the proper environmental protections for our forests and at the same time assure a long-term sustainable supply of forest products.

As we move into this new century, we're looking to sound science to guide us in achieving this important balance. It's the right thing to do – right for our forests, right for our employees and right for the community.

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# A stubborn

California leads the world in technological innovation and dot-com wealth. Unfortunately, the riches and opportunities have yet to trickle down to our public classrooms.

By Emelyn Rodriguez

In California, where dot-com millionaires are made daily and where the e-commerce Gold Rush lures a steady stream of giddy dreamers, there is a startling irony. Its wealth notwithstanding, the Golden State's public schoolchildren finish dead last in access to the technology that has produced its record prosperity.

"Isn't it embarrassing that California, home of Silicon Valley, the birthplace of the microchip, is among the least connected states in the union?" asked state Superintendent of Public Instruction Delaine Eastin, who has described the problem as one of the country's leading economic and civil rights issues.

"It very rapidly becomes an issue of fundamental fairness," Eastin said. "Everything that's modern has a computer chip in it. There's so much high-tech in everyday life. In the very near future there will be no job for someone without some type of technical skill."

It is, by one measure, an illustration of how the so-called "digital divide," the growing gulf between the technological haves and the have-nots, is in some respects more pronounced here than anywhere else in the country.

It is a problem that is multi-faceted and one largely defined by education, income, race, gender and geography. It is present in large



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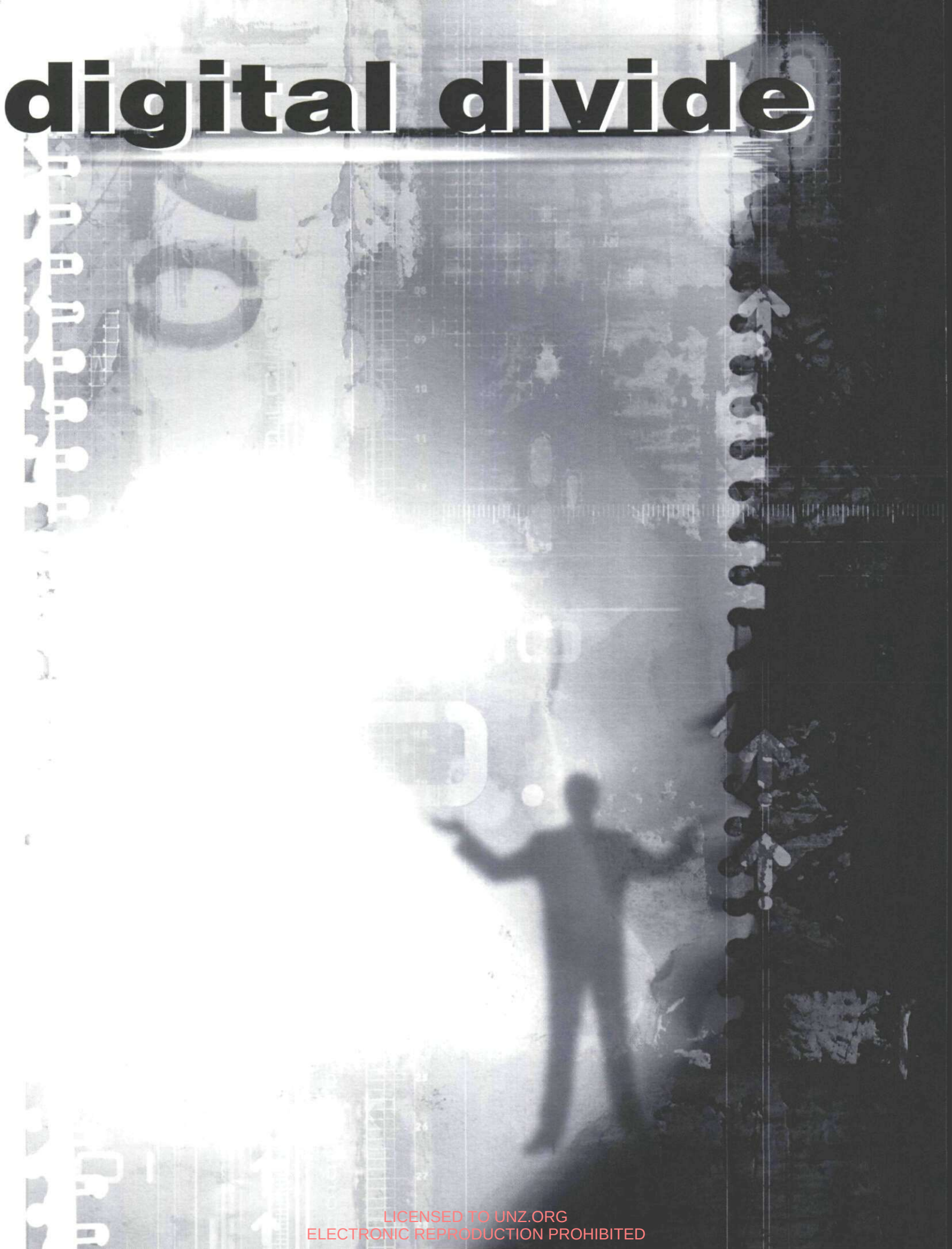
# digital divide



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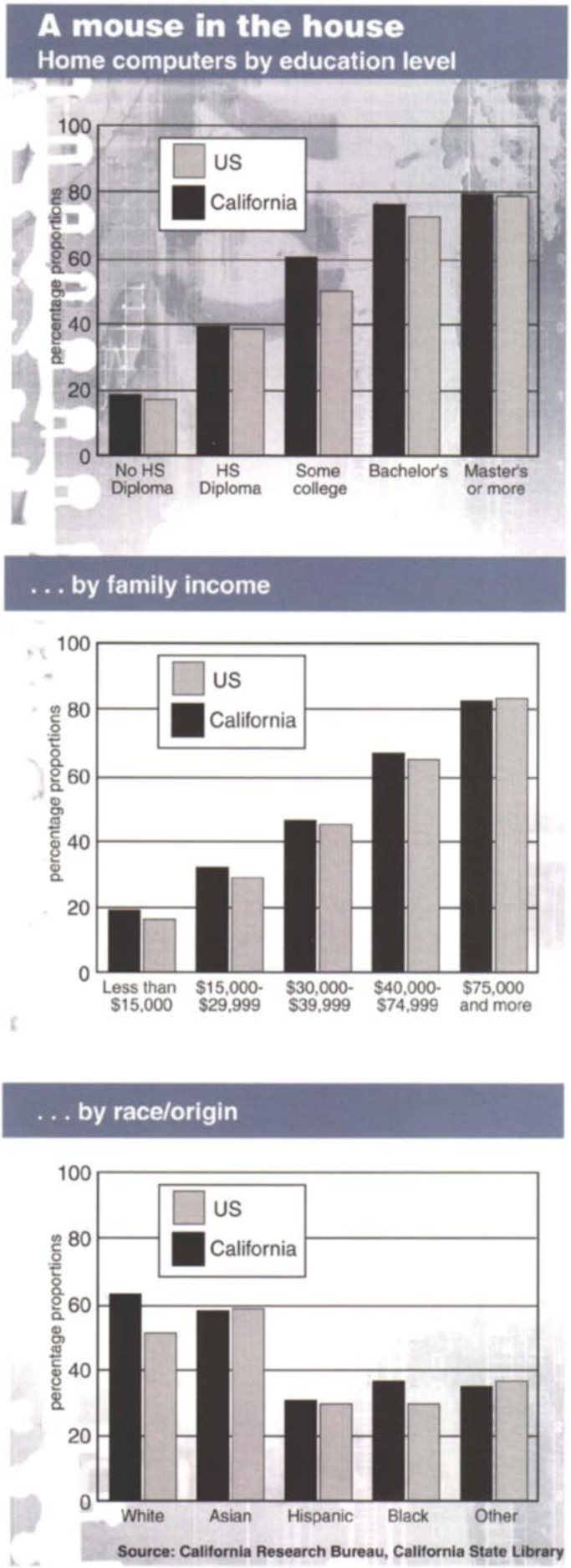

Headquarters of Apple, one of the high-tech community's pioneers in pla

pockets of the state's population, particularly in many isolated rural areas and impoverished inner cities where people lacking high-tech skills are locked out of the New Economy and have seen their incomes shrink in proportion to those on the other side of the divide.

It is seen in Silicon Valley's own "work force gap," a shortage of local, technologically skilled workers, which costs industries in the region billions each year in hiring costs, premium pay and lost productivity.

And it is starkly evident in the state's classrooms even though the numbers of computers and Internet connections have steadily increased over the past several years. For when it comes to public education, the most technologically advanced state is also among the least equipped and least connected to the Internet.

In California, as in other states, studies show that schools in the best part of town with the highest test scores tend to have the most technology and connections to the Internet. Schools in lower income areas are more likely to have uncredentialed teachers, unwired classrooms and outdated computers, if any at all.

When compared to the rest of the nation, the gulf becomes even more staggering. In 1999, California ranked last with a ratio of 8.1 students per instructional computer, compared to the national average of 5.7, according to a study by *Education Week* magazine. California also had an average of 19.3 students per Internet-connected computer, compared with the national average of 13.6. Only the District of Columbia and six other states are worse off.

## Less than the bare minimum?

Yet the statistics should not be that surprising, said Nancy Sullivan, manager of the Education Technology Office in the state Department of Education. "We've been



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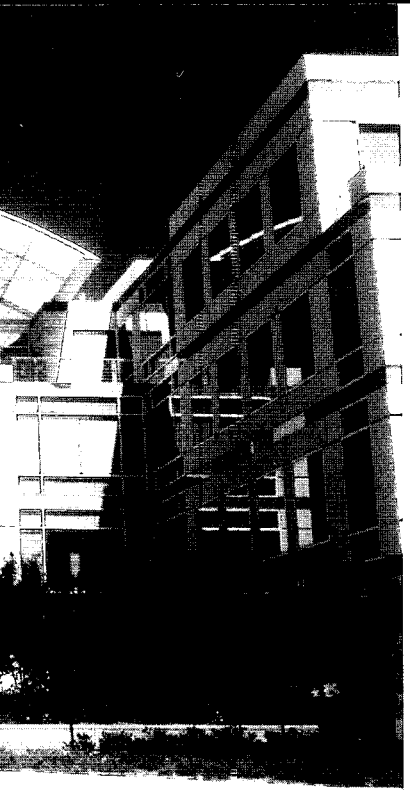

nputers in California classrooms.

tracking how California compares to the rest of the nation and it's not where we want to be," Sullivan said. "We knew we did not have a significant amount of money put into K-8 technology. We had money for high schools through the 'Digital High School' program, which was tremendously helpful. But other states made tremendous investments in technology for their schools."

The problem is so pervasive that the American Civil Liberties Union, in a recent lawsuit, cited the lack of computers and Internet access in some schools among a list of conditions that violate the state constitution because low-income and minority students, it said, are denied the "bare minimum necessities" of a quality education.

"Victims of the digital divide...are vulnerable to a lifetime of ghettoization," said Eastin. "It's just like what happened in the South 100 years after the Civil War when a whole class of people were denied equal access to education. It pulled down the whole region for a generation."

By a number of measures, the digital divide in California is at a critical phase, said Ruben Barrales, president and CEO of Joint Venture: Silicon Valley Network, a nonpartisan group that has studied the problem regionally.

"These indicators are really a call to action," Barrales said. "It's about giving people the tools to be successful...At the current rate, we're losing a generation of young people as we enter the New Economy."

Silicon Valley's continued economic and social vitality is dependent on its ability to prepare more people in the region for the demands of the new work force, Barrales said. "Silicon Valley needs to recruit and develop a homegrown work force to remain competitive in this global economy."

## Locals cost less

It costs more than $3 billion a year to hire out-of-area workers and lure them with bonuses and other incentives, a figure that "electrified people in the Valley to recognize that it's in their self-interest to recruit kids in their own backyard," said state Senator John Vasconcellos (D-San Jose), who represents the area.

The growing dilemma has spurred state lawmakers to introduce a slew of bills to address the inequities. Proposals range from increased funding for school computers and teacher training to establishment of "community technology centers" that provide free computer training and Internet access to the public. One measure calls for hearings to examine the feasibility of universal Internet service, which would be much like the availability of phone service everywhere.

Due to the hefty $12 billion budget surplus, legislators are optimistic that some of the measures will be adopted.

In addition, Governor Gray Davis has proposed accelerating technology spending in schools by including $500 million in his state budget plan for computers, teacher training and technical support. That's enough money to double the 380,000 computers in public classrooms and boost the computer-student ratio above the national average. The amount Davis has proposed this year is equivalent to what former Republican Governor Pete Wilson committed over four years to the "Digital High School" program, which provided basic technology to the state's roughly 1,700 high schools and youth detention centers.

The issue continues to be one that draws bipartisan support. "Many of us have come to believe that in the 21st century, computer literacy is going to be as important as whether or not you can read," said state Senator Debra Bowen (D-Marina Del Rey), chairwoman of the Senate Energy, Utilities and Communications Committee, who is carrying measures to extend school computer lab hours and establish community technology centers.

"If we don't address this issue, a whole generation of kids will be left behind in terms of jobs and opportunities," Bowen said. "Some people think that the market will solve the problem because prices for computers and Internet


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The Happy Camp Community Center is one example of bridging the digital divide.

"If we don't address this issue, a whole generation of kids will be left behind in terms of jobs and opportunities."
— Debra Bowen, state senator

connections will go down. But that won't address the whole issue. Many people are still going to be left behind."

Findings of a 1997 study by the Benton Foundation, a philanthropic, public interest research organization, underscores how critical computer skills are to students' financial futures. Workers who use technology on the job earn 43 percent more than those who don't, the report said.

## One-fifth are offline

To that end, Assemblywoman Charlene Zettel (R-Poway) is carrying a proposal to provide $250 million to hard-wire middle schools for the Internet. Twenty percent of all California public schools currently have no Internet connection. "Our economy revolves around technology and with this divide, we're creating computer illiteracy for so many of our students who are disadvantaged in California," she added.

Businesses, nonprofit groups and communities are also pitching in at both the state and national levels. For instance, computer executives in Silicon Valley are working with the federal government on a program dubbed ClickStart, which calls for the government to provide as much as $100 million in subsidies to assist low-income households in going online. The initiative's pilot program began this year in Oakland where the Marcus Foster Educational Institute, a group that raises discretionary funds for public instruction, is scheduled to place Internet-ready PCs in as many as 500 homes.

Various community technology centers funded by nonprofit groups and foundations also have cropped up across the state in recent years.

Funded by a $6 million grant from the California Wellness Foundation, the Computers in our Future Program has established a statewide network of 11 community technology centers that have provided free computer access, training and mentoring to over 16,000 people in the past two years. The centers are located in such areas as the remote Northern California town of Happy Camp in Siskiyou County — located 70 miles from the nearest commercial center — as well as densely populated urban centers in the Los Angeles area.

"Currently, 60 percent of all jobs require some kind of computer knowledge," said Linda Fowells, project director of Computers in Our Future Program. "This sets a pretty high standard for those who don't have access to technology. Employers are looking for people who have basic fundamental skills...Our centers provide people with access to technology, teach them how to use it and provide guidance in using it in their daily lives."

But even if computers and Internet access are available, there is yet another barrier.

Some women, minorities and those with low incomes are skeptical about the value of digital technologies because much of what's on the Internet does not interest them or is irrelevant to their lives, said Barbara O'Connor, professor of communications and director of the Institute of the Study of Politics and the Media at California State University, Sacramento.

Efforts must also focus on the so-called "Content Divide" on the Internet, O'Connor said. "Right now much of it is yuppie, white male content," she said. "We need to figure out a way to get technology in new immigrant and lower-income communities in a relevant way. Technology has to be useful in your daily life or else you won't use it."

Although many promising proposals are taking shape, current efforts won't be enough unless there is a "long, sustained, multi-level effort," O'Connor said.

"It's a complicated issue," she added. "You just can't throw money at it...You can't solve it with gimmicks and tricks. It takes a lot of effort, a lot of time, a lot of creative thinking. The fight is on all fronts."

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*Emelyn Rodriguez is senior editor of the* California Journal. *Comments may be sent to* **edit@statenet.com.**



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# We've Come a Long Way Baby

## But We Still Have a Long Way to Go

In the last decade, under California's comprehensive campaign to reduce smoking, we have seen tobacco consumption cut in half.

The state and local communities have adopted policies to protect workers and the public from secondhand smoke, and Californians overwhelming embrace these laws.

But we are a long way off from ending the death and disease caused by tobacco. It still kills 42,000 Californians a year or 115 each and every day.

While our progress has been remarkable, our challenges are still great:

- There is an urgent need to counter the tobacco industry's aggressive marketing, particularly among young adults ages 18 to 24, where there has been a 22 percent increase in smoking prevalence.
- California merchants sell tobacco illegally to one in five minors, according to the 1999 Youth Tobacco Purchase Survey released by the California Department of Health Services.
- The number of retailers who illegally sell tobacco to kids increased for the first time in five years.
- Last year, California spent about $127 million on tobacco control. The U.S. Centers for Disease Control and Prevention's Best Practices recommends California spend between $211 and $565 million a year on tobacco control activities.

While we have made huge gains in protecting Californians from the serious health consequences of tobacco use, the tobacco industry continues to spend more than $1.5 million a day — that's $1,000 a minute — promoting its deadly products to youth through marketing campaigns that glorify tobacco use.

California must continue to aggressively counter tobacco industry tactics and commit more resources to fighting the war on smoking, or we will lose the precious ground we have gained in protecting the health of Californians.

To find out what you can do to fight tobacco in your community, call your local American Lung Association at **1.800.LUNG.USA** or contact us at **www.californialung.org**.

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letters

## Gray Davis' compassion

In "Understanding Gray Davis," Dana Wilkie attempts to psychoanalyze our governor. Dana is attempting to be Dr. Laura with the same credentials to psychoanalyze: none.

The more serious issue is, what has the *California Journal* become, a "National Enquirer" for Sacramento? What began as a serious journal on state politics is stained with these attempts at pop pscyho-babble.

I have known Gray Davis for over 28 years. He is a sensitive, compassionate human being. I have known him through crisis and through the personal loss of our fathers. When I lost my father in 1996, it was Gray Davis who was there to comfort me at a small church in East Los Angeles. It was not a controlled campaign event, it was not a fundraiser; he could have just called or sent flowers, but he came. It was a gesture from one human being reaching out to another in a time of need.

There have been so many other times that I have witnessed his personal courage, yet he never flaunted it for political or personal gain and probably very few saw it. If you are going to publish a story about a human being, find out about the whole human being. Cynical caricatures without substance, put forward as serious writing, do not bode well for the *California Journal* nor for the body politic.

My thanks for your anticipated reflection on my thoughts.

**Art Torres**
**Chairman, California Democratic Party**

## Uninsured Californians

Thank you for your article focusing on the increasing number of uninsured in California (Health-care epidemic deepens," May 2000).

It would have been helpful if there had been more said about the one piece of legislation, passed and signed by the governor, which has the potential to look at the health system in a comprehensive way. Also, no mention was made of the study which the Legislature has requested to provide information regarding the cost of achieving universal coverage under different methods of financing and administration.

At this time, a budget augmentation bill providing funds for both the implementation of the SB480 process and the study is going through the legislative process. The question seems to be whether the governor will support it.

The test of whether the Legislature and the governor are "turning a blind eye to the crisis" will be if the funding for both the process and the study are funded.

Also, please distinguish between a "government-run system of health delivery" and a government-run insurance system (such as Medicare). Health Care for All supports a public health insurance system and a private health delivery system. This is an important distinction, which a quality publication such as the *California Journal* should be sure to make.

**Doris Isolini Nelson, Director**
**Health Care For All**
**Los Angeles**

## Soto's ice-cream truck bill

While reading the May (2000) issue of your magazine, I was surprised to see the sarcastic reference to my bill regarding ice-cream trucks in the "Upfront Umbrage" section. This is a serious issue for families who have lost a child in accidents involving ice-cream trucks and I truly believe that your reporting misconstrued my bill.

A grandmother in my district whose 4-year-old granddaughter died came to me and asked me to introduce this bill. As a grandmother myself, I understood what she was feeling and knew the pain it would cause me if I had a grandchild killed while running after an ice-cream truck.

In the past year, three children in San Bernardino County were killed after being hit by a car because they ran out in the street after an ice-cream truck without paying attention. The cars were driving too fast under the circumstances and were unable to stop on time. An ice-cream truck in a neighborhood attracts children and also blocks the view of drivers as children run out from a car or from behind the ice-cream truck. It is a hazard and a problem in California, but it is a problem that can be addressed pretty simply. That's what my bill does.

SB2185 was drafted by highway safety experts. It requires that ice-cream trucks have signs warning that children are in the area, and it states that ice-cream trucks cannot sell on any street with a speed limit over 25 miles per hour.

Tragedies like the three in San Bernardino County have occurred too often. The loss of one child is too much, especially when we can do something about it.

I am disappointed that your magazine and Assembly member [Howard] Kaloogian (R-Carlsbad) have opted to mock this serious issue instead of doing real reporting about the kids that have died.

This is a serious issue. I hope that in the future you will report on it in a serious light.

**State Senator Nell Soto**
**(D-Pomona)**


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# Silicon Statistics:

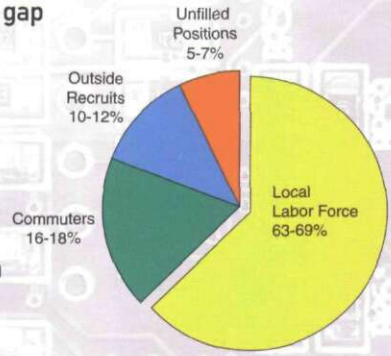
## The Valley at a glance

Silicon Valley is defined as all of Santa Clara County, plus adjacent parts of San Mateo, Alameda and Santa Cruz counties.

- Total Area: 1,500 square miles
- Population: 2.5 million
- Total jobs: 1.3 million
- Ethnic population: 49% White, 24% Hispanic, 23% Asian/Pacific Islander, 4% African American
- Silicon Valley is home to 61 of the 500 fastest-growing high-tech companies in the United States, including three of the top five fastest-growing firms nationally.
- The region has more residents than 18 U.S. states. A third of those residents are foreign-born.

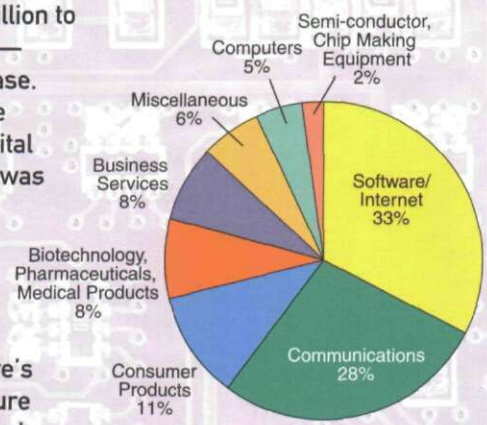
## Shortage of skilled workers

The current supply of skilled labor does not meet the needs of Silicon Valley's high-tech companies, according to a survey last spring by Joint Venture: Silicon Valley. The local workforce gap is estimated at about 35%, costing high-tech industry roughly $3- 4 billion in hiring and other costs. Here's a breakdown of where workers come from.



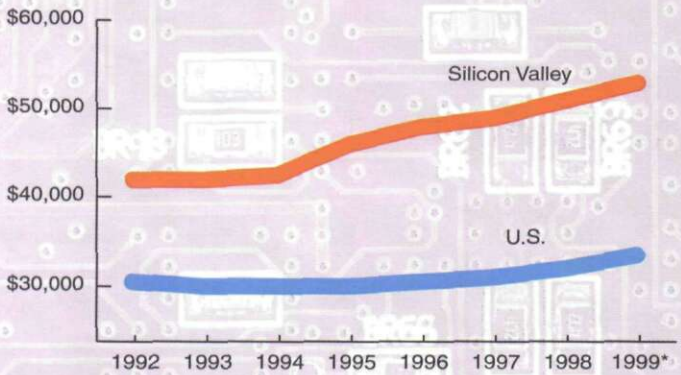

## Venture capital investments soar through the roof

From 1998 to 1999, venture capitalists showered Silicon Valley entrepreneurs and their companies with record amounts of capital, increasing the total overall investment from $3.2 billion to $6.1 billion — a 90% increase. The average venture capital investment was $9.6 million in 1999, a jump from $5.8 million in 1998. Here's where venture capital landed.



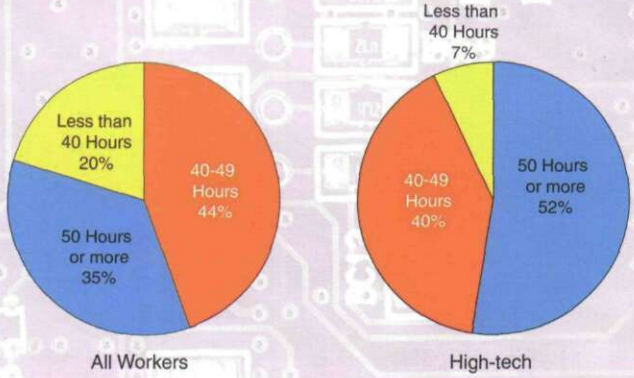

## Average wage exceeds rest of the nation

Silicon Valley's average wage is more than 59% above the nation's ($33,700). In 1999, the average wage in Silicon Valley grew 5.1%, from $51,100 to $53,700. Nationally, the increase was 3.4% as shown here.




## On the Job: More than a 40-hour work week

More employees work longer hours in Silicon Valley than elsewhere in the U.S., according to a recent survey in the San Jose Mercury News shown here. The primary reasons cited for longer hours are bigger paychecks and job demands, and a bigger stake in company performance through stock options.



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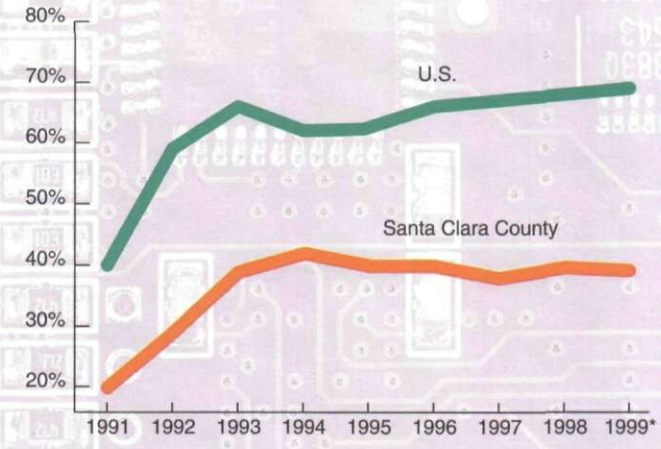
# Fast Facts on Valley Life

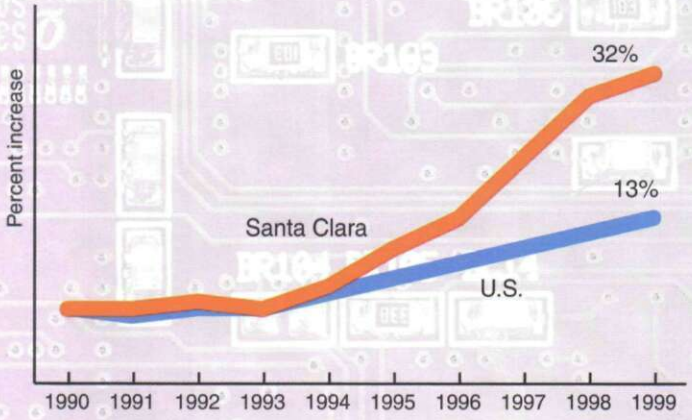
## Lack of affordable housing

As one of the nation's priciest housing markets, Santa Clara County featured median home prices of $346,000 in 1999. That meant only 37.6% of houses were affordable to those with a median income, down from 38.3% in 1998. Nationally, the average is 68%. Here's the comparison of affordability.



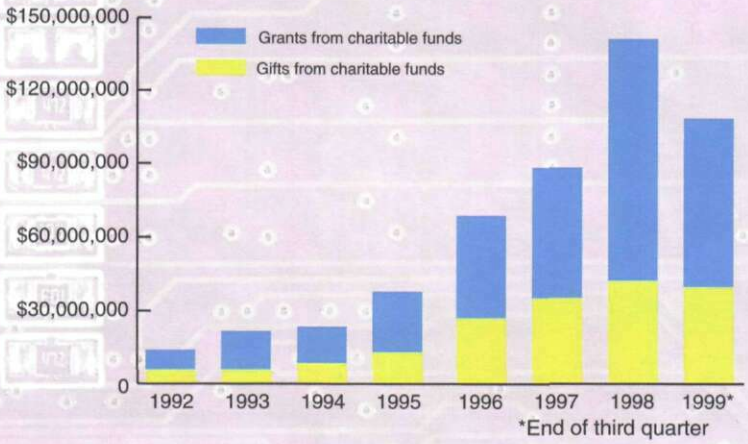

## Income jumps faster than the national average

Per capita, wage earners in Santa Clara County continue to find their incomes rising faster and higher than their working counterparts elsewhere in the country. During the 1990s, real per capita income (total wages divided by total number of residents) for Santa Clara County increased 32%, compared with 13% for the nation.



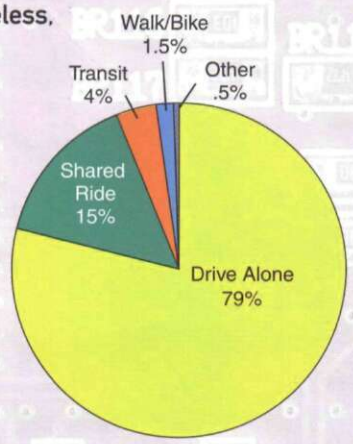

## Giving it away: charitable donations rise

As Silicon Valley's wealthy become even wealthier, their ability to donate to charitable causes has dramatically increased. From 1992 through 1999, 675 new charitable funds were established by individuals, families and corporations. During that period, gifts and grants to charitable foundations totaled $484 million.




## Commuting to work

Since 1990, the number of Silicon Valley commuters using public transit has increased from 2.4% to 4%. Carpooling also nudged upward from 12.4% in 1990, helped by an increase in high-occupancy vehicle (HOV) lanes. Nevertheless, the biggest chunk of workers still drive alone, as shown here, as do most Californians.




Based on a 1999 survey of Silicon Valley commuters.

Sources: Joint Venture: Silicon Valley Network, The San Jose Mercury News.

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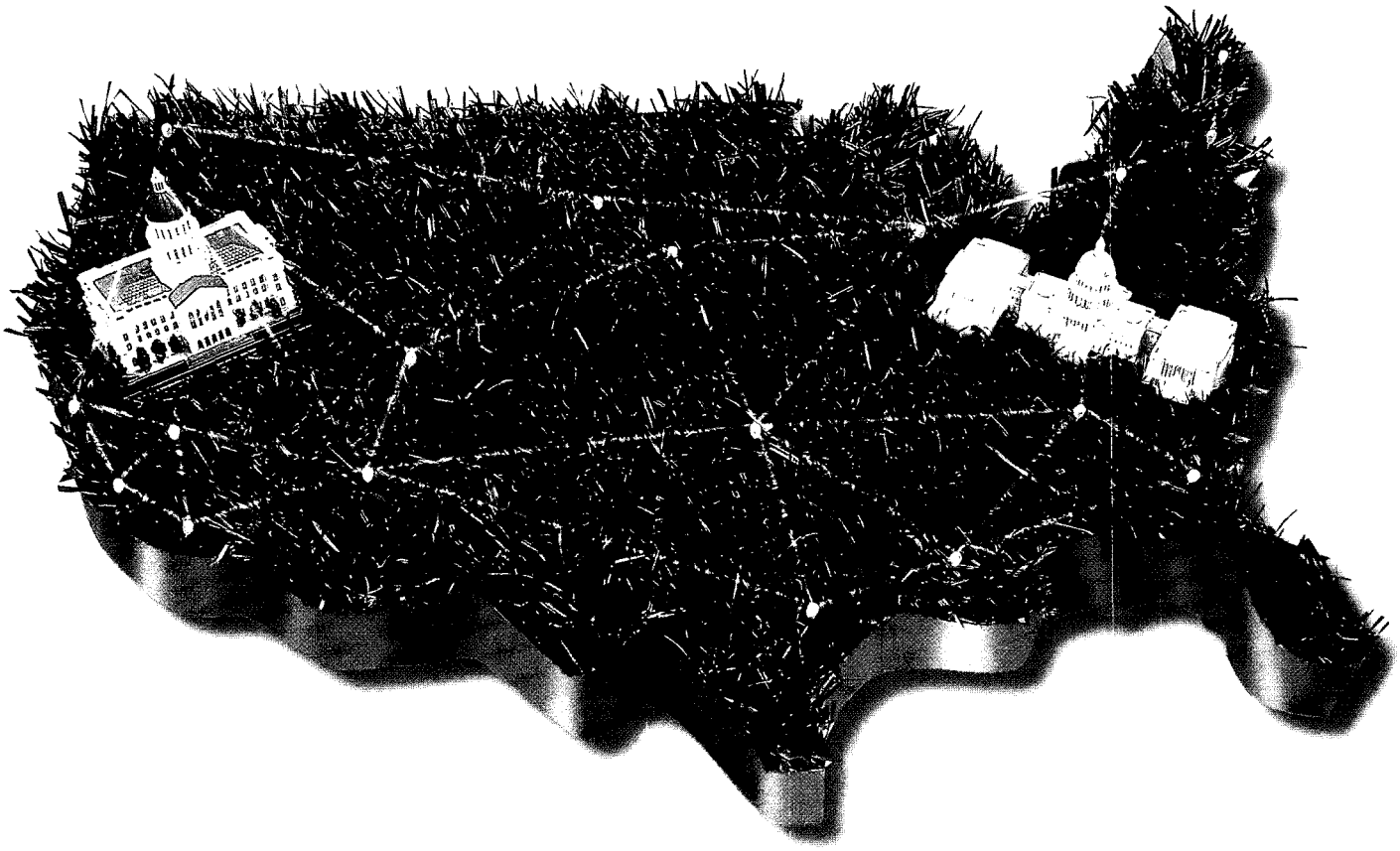
# From the State House *to the* White House...



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# Can Roy Romer rescue LA schools?

by Sherry Bebitch Jeffe

Just 10 weeks before the Democratic National Convention in Los Angeles, former Colorado Governor Roy Romer, the party's Convention Committee chair, abruptly resigned. In June he abandoned his role as political impresario to become the first non-educator ever to lead the behemoth Los Angeles Unified School District. The LAUSD board named Romer as the sixth superintendent to helm the troubled school system since 1990.

Colorado political consultant Floyd Ciruli described Romer as "a Democratic Richard Riordan." There's a touch of irony in that description. It was candidate Riordan, a seasoned entrepreneur and political neophyte, who spent millions of his own money to become mayor of Los Angeles in 1993. Riordan ran because he believed that government should be run like a business, not by professional politicians.

Last year Mayor Riordan, frustrated by the poor performance of L.A. city schools, chipped in to elect a new school board majority — one that would be responsive to his reform agenda. Now that board has put the city's schools — and the mayor's hopes for reform — in the hands of a quintessential pol. Riordan calls Romer "an outstanding choice."

**The board has put the city's schools — and the mayor's hopes for reform — in the hands of a quintessential pol.**

Romer's appointment to head the nation's second-largest school district was not universally applauded. The leaders of Finally Restoring Excellence in Education, who want to dismantle LAUSD and form two new school systems in the San Fernando Valley, called Romer's appointment "a Band-Aid."

In a stinging editorial, the *Los Angeles Times* declared, "What's needed in the job of LAUSD superintendent is far more than the ability to articulate problems, set goals and schmooze." Labeling Romer "a 71-year-old, well-intentioned but limited Democratic party boss," the *Times* argued "there's precious little to suggest that he's got the educational wisdom and the political guts it will take" to tackle LAUSD's problems.

And many Latino groups and leaders, still fuming over the board's ouster of Superintendent Ruben Zacarias last year, questioned the choice of a non-Latino to replace Zacarias at the helm of a district whose student body is 70 percent Hispanic. Critics also faulted the closed process by which the board selected Romer.

Nevertheless, there is a certain rationale for the school board's choice. First of all, the pool of candidates for the superintendent's job was puny. Few educational heavy-hitters were clamoring to fill the position, while Romer actively pursued the post. The board's first choice, Henry Cisneros, former HUD Secretary and current president of Univision, the nation's largest Spanish-language television network, turned the job down flat.

Romer's appointment signaled that Los Angeles had finally joined the ranks of large urban school districts that have turned to candidates without traditional educational credentials to lead their struggling systems.

According to the *Los Angeles Times,* Romer "is credited with decentralizing Denver public schools by placing greater authority in the hands of principals, teachers and parents, and helping to prevent a teachers' strike in 1991 and 1994." But the Denver school district is one-tenth the size of LAUSD. Still, Romer's strong ties to teachers' unions will come in handy as he joins contract negotiations already underway.

Romer can, however, bring heavy political artillery to the battle to rescue public education.

As general chairman of the party's National Committee, Romer has forged political links with California's Democratic governor and legislative majorities. Those connections could quickly pay dividends; one of Romer's immediate challenges will be to smooth over tensions between LAUSD and Sacramento lawmakers frustrated by the district's inability to right itself. State Senator Richard Polanco (D-Los Angeles), a harsh critic of LAUSD, has authored legislation to create a state monitor to oversee the district.

Romer also has ties to the city's powerful business community. One of Romer's biggest boosters has been billionaire developer and major Democratic contributor, Eli Broad, who first suggested Romer go after the superintendent's job.

But will all that be enough to save a sinking school system? Board member Vicki Castro, a last-minute Romer vote, put it succinctly. "He has to [save the schools]," she told the *Los Angeles Daily News.* "If not, he'll go down as the last superintendent of Los Angeles Unified."

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*Contributing editor Sherry Bebitch Jeffe teaches at the Claremont Graduate University. Comments may be sent to* **edit@statenet.com.**

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# Trying to balance

Hardly a month passes in Santa Clara and San Mateo counties without some group organizing an affordable housing conference. When the median single family home price hits $577,000 — as it did in Santa Clara County during April — it becomes evident that something is out of whack. But a session in Redwood City in May was a little different than the typical gathering at which housing advocates and civic leaders ponder and gripe.

## Silicon Valley is a classic case of economic expansion run amok – a place with limited housing but unlimited, well-paying jobs.

By William Fulton and Paul Shigley

What made this gathering more than just another hand-wringing session was the organizer: state Senator Byron Sher, the Palo Alto Democrat who has spent most of his 20 years in Sacramento pressing for environmental protections. With Sher was none other than Senator Richard Alarcon, (D-Van Nuys), chairman of the Senate Housing and Community Development Committee and the Legislature's most prominent backer of affordable housing. Sher pushed his proposal to study all the state-owned land in a five-county region to determine if some could be used for affordable housing development. Alarcon talked about plans to spend a portion of the state budget surplus on housing.

But what they said probably was not as important as their presence. The fact that one of the Legislature's biggest environmental advocates and one of its Los Angeles political powerhouses would join with 200 community and business leaders in the San Mateo County seat to talk about housing demonstrates



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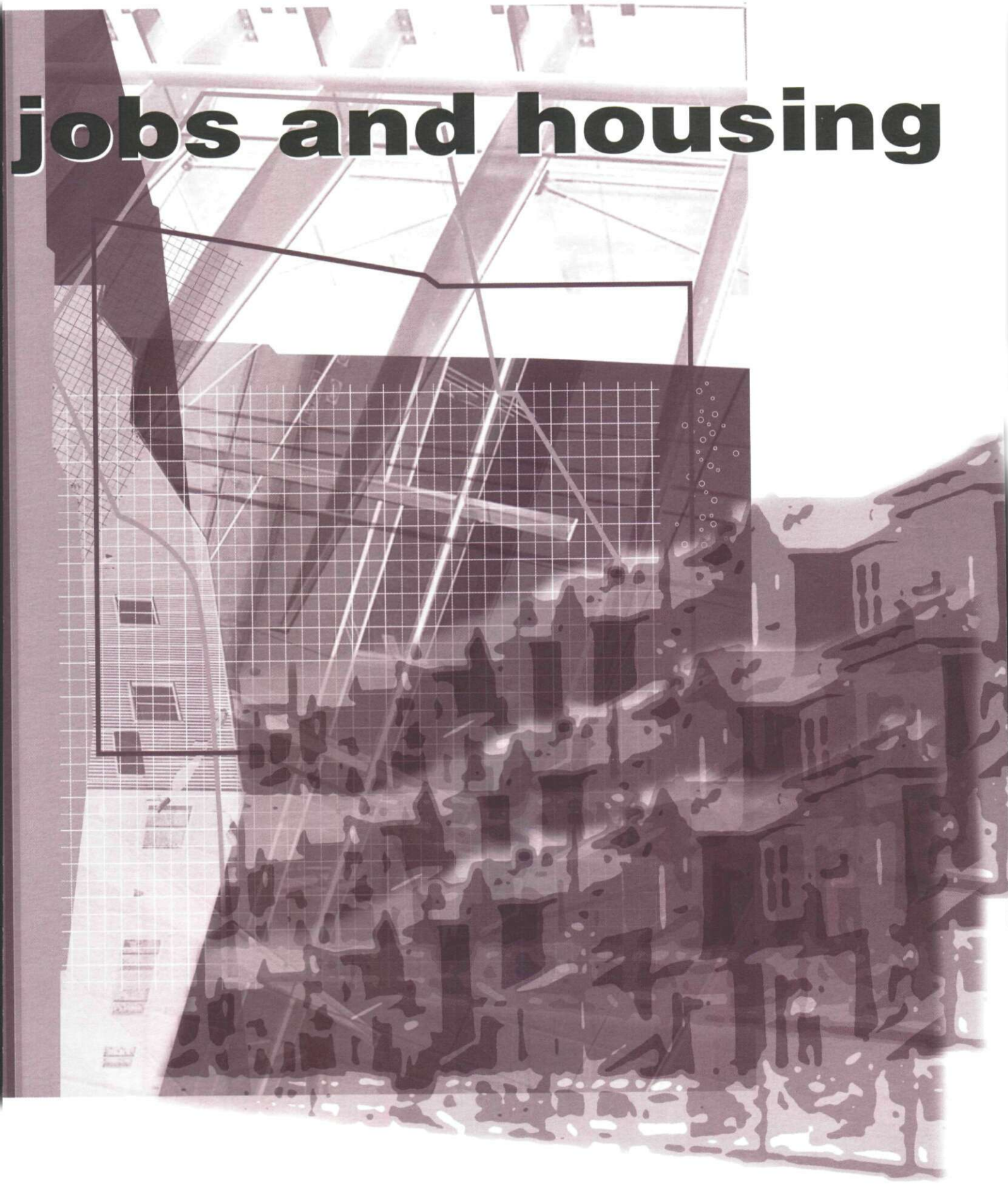
# jobs and housing





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just how important the issue of balancing jobs and housing in Silicon Valley has become at the Capitol.

The same economic expansion that created the state's huge budget surplus has filled the Legislature with land use planning bills because the increase in commerce has occurred without the housing construction that typically accompanies business growth. The problem is worse within the Silicon Valley, where technology workers are forced to take their paychecks to outlying towns with cheaper houses.

"What it has done," says Salinas Mayor Anna Caballero, whose city lies 50 miles south of San Jose, "is price our working families out of the housing market."

## Silicon Valley's impact

Thus, it is no surprise that the all-Democratic Smart Growth Caucus is loaded with legislators from the Bay Area and its environs. Nor is it unexpected that the Job-Center Housing Coalition, a bipartisan effort containing a powerful mix of business, construction and affordable-housing interest groups, backs bills that could ease the Bay Area's housing crunch.

Fred Keeley, a Santa Cruz Democrat and key player in the Smart Growth Caucus, says Silicon Valley's situation drives the policy discussion in Sacramento because the area is seen as the prime mover of the state's economy and because the computer entrepreneurs are mostly apolitical.

"They have essentially changed the dynamics of the San Francisco Bay Area, where people would commute into

**Maneuvering the Altamont Pass during commuting hours is a bumper-to-bumper grind.**

San Francisco because that's where the white-collar jobs were. They have changed the commute patterns," Keeley observes.

For five years beginning in 1995, Santa Clara County added seven jobs for every new housing unit constructed, according to John Landis, a University of California, Berkeley, city and regional planning professor who has studied the area. In the San Francisco area, jobs outnumbered new homes 6.5 to 1. A healthier ratio would be about 1.5 jobs per new home, Landis says.

No one, however, expects the numbers to improve in the near future. Regional planners project that Silicon Valley will add another 200,000 jobs this decade — but only 70,000 housing units.

The market reflects this increase in high-paying technology jobs combined with inadequate housing production. The median single-family home price in Santa Clara County blew past the $500,000 mark this spring, up 45 percent in 12 months, according to the California Association of Realtors. In a seven-county Bay Area region, the single-family median home price hit $469,000, up 30

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New construction can't keep pace with the demand for housing.

percent in one year. Two-bedroom, one-bathroom apartments in San Jose routinely rent for $1,800 a month. Tiny studios in San Francisco lease for more than $1,000 a month – and a single vacancy can draw scores of applicants. No one blinks an eye any longer at stories of people who pay $1 million for a house in a desirable Silicon Valley neighborhood only to tear down the structure and build something more elaborate.

"In this town, to be able to afford the typical two-bedroom rent, you have to earn $24 an hour," says Alex Sanchez, the city of San Jose's housing director. His department actually had to adjust its programs because people who make $12 an hour — that's $25,000 annually — make too much to qualify for typical subsidies. "Those people are the service workers and the clerical staff at city hall," Sanchez says.

## Affordability gap

Salaries for professional jobs are high. The median family income is $87,000 in Santa Clara County, $77,000 in San Jose. Despite those incomes, the National Association of Homebuilders rated five metropolitan areas in or adjacent to the Bay Area as the five least affordable housing markets in the United States. In San Francisco, San Mateo and Contra Costa counties, only one of eight homes is affordable to median-income families.

The effects extend for more than 100 miles. Huge portions of the San Joaquin Valley cities of Tracy, Manteca and Modesto (joint population 290,000) exist solely as bedrooms for people who work 80 to 100 miles away in Silicon Valley. Farm towns south of Silicon Valley, such as Salinas, Watsonville and Hollister, have experienced an influx of well-paid Silicon Valley workers, who drive up housing prices and force locals to look elsewhere for homes. People who work in Hollister, where wages are a fraction of those in San Jose, have to commute from less-expensive Los Banos, a mountainous, 50-mile drive away.

In this atmosphere, Cisco Systems, the computer hardware giant, has proposed constructing a 6.6 million-square-foot campus for 20,000 workers in south San Jose's Coyote Valley. Intent on building its municipal financial base, city officials are moving the project forward despite the lack of housing and despite protests from cities and counties to the south.

San Jose has only 0.8 jobs per employed resident, while cities in northwest Santa Clara County (such as Palo Alto, Mountain View, Cupertino and Santa Clara) have 1.5 to 2.5 jobs per employed resident, says Joseph Horwedel, San Jose's deputy planning director. "San Jose is the bedroom community of Silicon Valley," said Horwedel. "We continue to find ways to tuck housing in all over the place."

San Jose approves 3,500 to 5,000 new homes a year,


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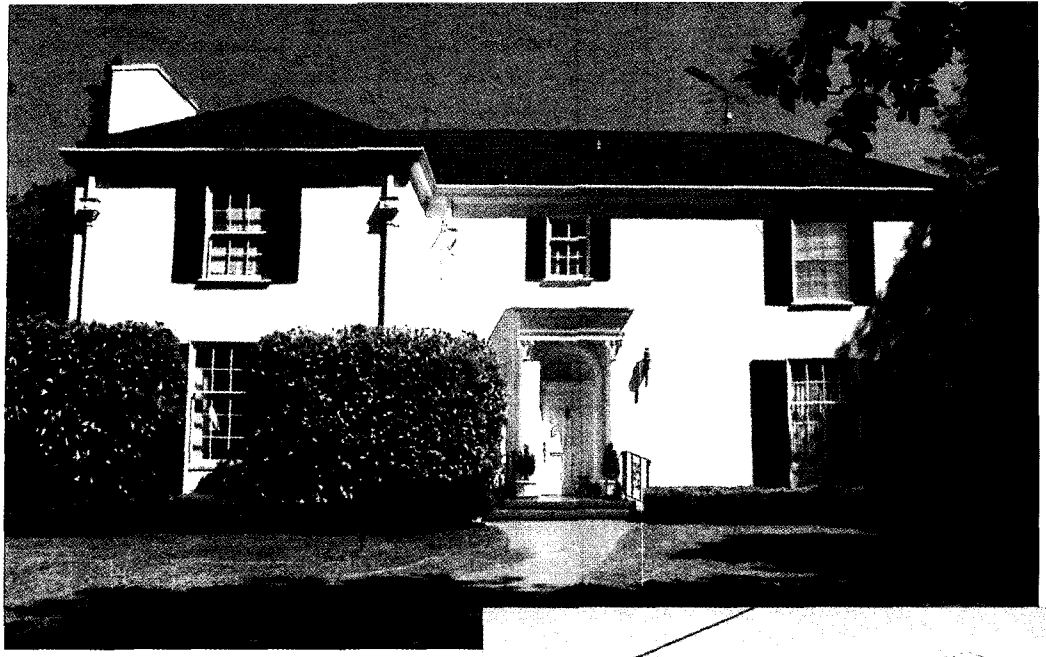
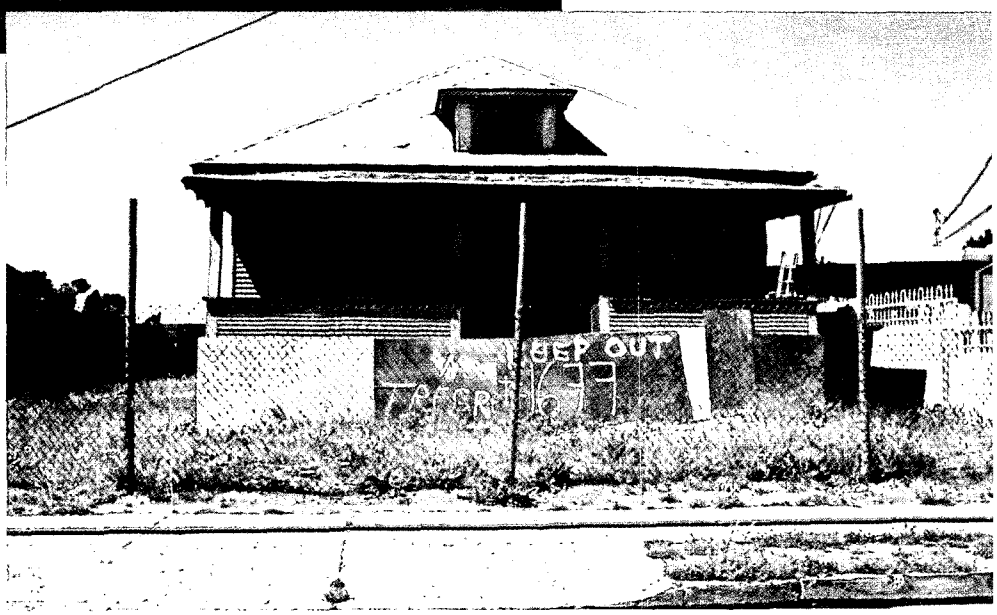


From manicured mansions to boarded-up bungalows, Silicon Valley's tight housing market runs the gamut.




about a quarter of which the city's own housing department helps develop. And it will open up two urban reserves with space for nearly 30,000 additional homes near the proposed Cisco campus — but not until the city receives some of the financial benefits of the Cisco project and can provide adequate services.

Leaders of cities and counties to the south are fighting back. They argue that San Jose has not considered the regional impacts of the Cisco project, which adds 20,000 jobs 10 miles closer to their towns.

## Regional bickering

"The project, of course, will be a fiscal boon to San Jose, though the surrounding communities such as Salinas will suffer many of the resulting public service burdens," Salinas Mayor Caballero wrote to San Jose city officials this spring. "In other words, San Jose will get the revenue-creating jobs, while we will get the revenue-draining service burdens. Such a result is manifestly unfair."

Caballero has asked her municipal and corporate neighbors to the north for assistance with transit and job training, but the reception has been chilly. "We have a totally different economy and we're not even in the same county, so we have no pull," she says.

"It's a very large-scale interregional issue," adds Kate McKenna, special projects manager for the Association of Monterey Bay Area Governments. That group wants to see housing development coincide with Cisco's project.

But San Jose officials, who lobbied Cisco to expand in their city, show no signs of backing down. "You can't control where people live," Horwedel said.

And technology firms show no inclination to take their jobs to outlying areas with new subdivisions. It's the Silicon Valley — not Stanislaus County or Salinas — that has the talent and start-up companies that feed large corporations.

While the issues are clearly regional in nature, California's land use planning system is not. City councils and boards of supervisors make development decisions without consulting a higher authority. Add in California's local government financing system that favors retail over all other land uses, and it's a recipe for what is popularly called the "fiscalization of land use."

Carl Guardino, president and CEO of Silicon Valley Manufacturing Group, a 175-member organization that includes most of the area's technology leaders, concedes that the large number of high-paying jobs has skewed the housing market.

## Nibbling at the problem

"But what I think impacts it most is Proposition 13 and the fiscalization of land use," Guardino says. "We penalize cities that provide housing. Even Hewlett-Packard is a revenue-neutral proposition, even though those are tremendously high-paying jobs." Instead, cities beg for, and even subsidize, sales-tax-producing big box retailers, whose $8-an-hour jobs are a public services drain, he says.

The fiscal relationship between the state and local governments has received extensive study in recent years, and Sacramento is full of reform proposals. Some measures call for systemic overhauls, while others would give local



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**Cisco Systems plans to add 20,000 new jobs, a proposal that worries some regional housing officials.**

jurisdictions a larger cut of property taxes for approving houses near job centers. But with even cities and counties unable to agree, the chances for major overhaul appear slim.

On the land use front, bills have been introduced that encourage infill and transit-oriented development, aid residential development through regulatory changes or direct subsidies, and require that regional housing plans contain a jobs-housing balance. Some policymakers note that urban schools must be improved to make older areas attractive. But most bills only nibble at the edges, and few people expect systemic changes unless Governor Gray Davis makes the issue a priority. Thus far, however, land use planning "is not an issue that is on the governor's radar screen," according to one lobbyist.

Bay Area politicians have focused on transportation. They and Silicon Valley business leaders appear to have influenced Davis' recently released transportation plan, which favors the Silicon Valley over other regions of the state. Only recently have local elected officials broached the topic of housing. Mostly they argue about regional projections for housing demand and declare that new houses should be built elsewhere. That's good politics in an area where NIMBYism and ballot-box planning are as strong as anywhere. UC's Landis says the locals "sort of are pretending" to address the issues.

"There's only one way to get out of this, and that's to build our way out of it," Landis says. "No amount of good planning or transit-oriented development is going to solve the problem. We just need more housing production, and that's a hard thing to say if you are an elected leader."

Cities in northwest Santa Clara County are mostly built-out, and jurisdictions with available land have little political will to allow large-scale housing development. If Silicon Valley is going to house the workers, it probably means altering the amount of land reserved as open space, Landis adds. But that appears unlikely. San Jose voters, for instance, will have the chance to strengthen the city's already popular urban growth boundary in November.

All of this has legislators statewide paying attention, possibly because their districts might be next. The California Building Industry Association argues that the state has produced only slightly more than half as many homes as it needs during the last decade.

"San Jose is not unique," says Sanchez, the city's housing director. "We're just the tip of the arrow. The rest of California is going to go through the same gyrations."

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*Bill Fulton and Paul Shigley produce the* California Planning & Development Report. *Their last article for CJ, examining plans for the UC Merced campus, appeared in June 1999. Comments may be sent to* **edit@statenet.com.**

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# New kids on the block

## No longer political small-fry, high-tech lobbyists gain stature in California's statehouse.

By John Borland

The halls of Sacramento's Capitol building have long seemed farther away than a mere two-hour drive from Silicon Valley's glass-walled office parks. But they're getting closer.

Just ask Teresa Casazza, the lobbyist who opened the first state office of the American Electronics Association in Sacramento 10 years ago. As the only full-time lobbyist for the technology industry in the state capital for years, her voice was often drowned out by the more traditional California voices of industry — agriculture, manufacturing and the state's powerful labor unions.

Not so anymore. Today, Casazza is gaining some clout.

No longer a footnote, technology stands as California's most prominent export worldwide — accounting for almost 55 percent of the state's total exports, according to AEA statistics.

Last March, in one of the most emblematic signs of the times, the powerful California Manufacturers Association changed its name to reflect the state's — and its own — tilt toward technology, renaming itself the California Manufacturers and Technology Association.

Although few technology firms maintain a full-time lobbying presence in the capital, a growing number, particularly among the older, more mature firms, have begun hiring contract lobbyists. At the same time, legislators are waking up to political issues facing the high-tech community.

"Legislators are very interested in the industry," Casazza says. "They're very much in love with the Internet. There is that kind of attraction there."

But despite this growing profile, there is still an element of wishful thinking, even in CMTA's name change. Association President Jack Stewart says his organization's new name is intended as much to entice technology firms to Sacramento as it is to signal any radically changed identity. Lobbying by technology companies in Sacramento remains a stepchild to the industry's presence at the federal level, he says.

"The technology industry has been slow to recognize Sacramento as a venue of importance to them," Stewart says. "I still think there's a question of how much importance Sacramento will represent to their bottom line."

It is at the federal level that the most sweeping decisions affecting the industry's future are being decided, insiders say. From immigrant labor policy to



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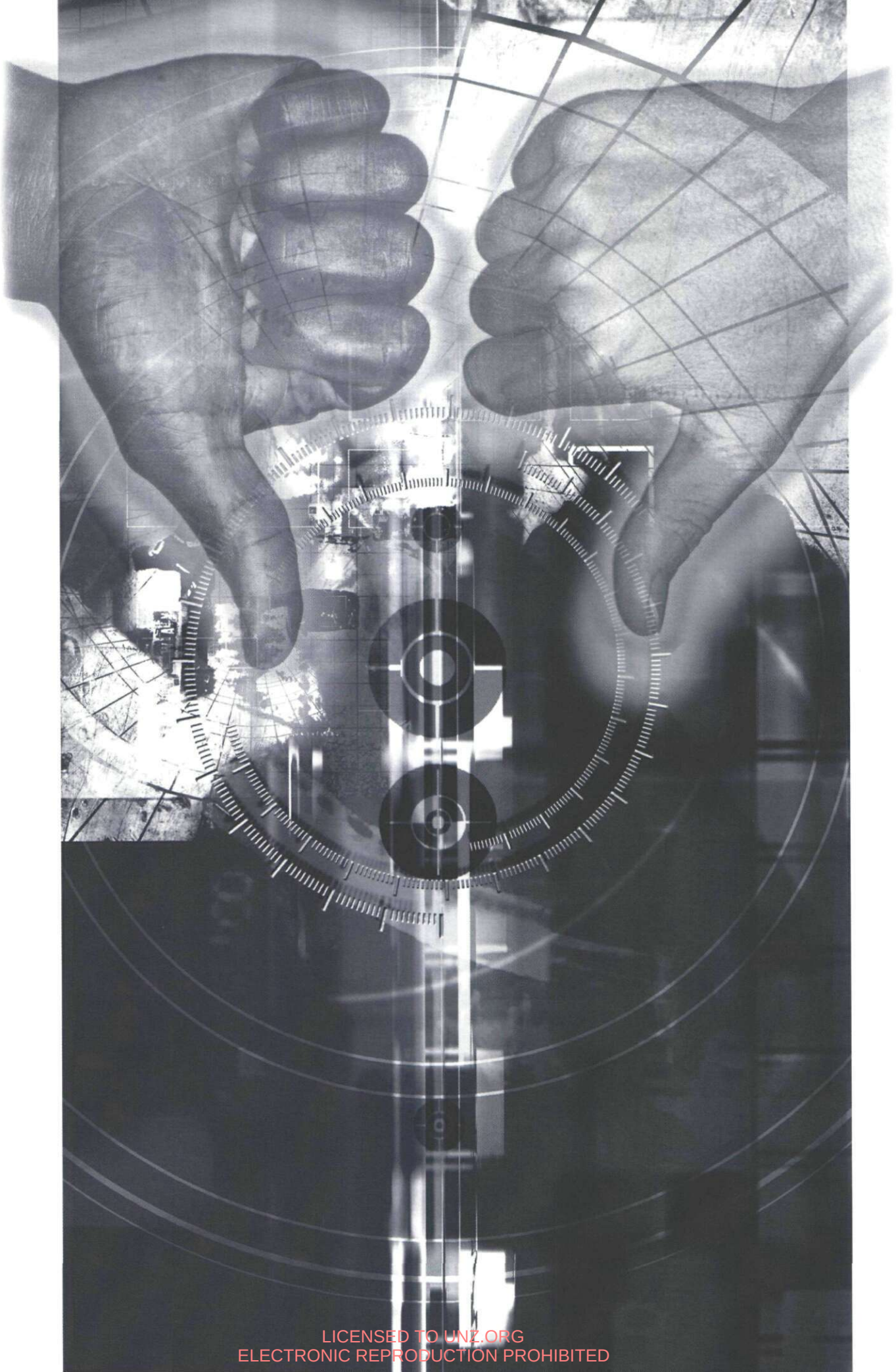

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Internet censorship, from liberalizing telecommunications to exporting encryption software, it is the lights of the national stage that first dazzle most technology companies when they discover that seemingly abstract policy debates can have a very real impact on their financial future.

But increasingly, as the technology industry matures, it has found reason to pay closer attention to Sacramento.

Silicon Valley's first mass political awakening occurred in 1996, when a group of trial lawyers successfully qualified a state ballot initiative (Proposition 211) that would have made it easier for aggrieved shareholders to sue companies based on allegations of fraud and financial misconduct. Because many such lawsuits already were being filed against technology companies, often on the basis of fluctuating stock prices, the technology industry collectively panicked.

"The industry really wasn't as engaged in government as it is today," says Christine Berman, Hewlett-Packard's state policy director. "It really energized the technology community to get involved, to get to know their (legislative) members, both at the state and federal level."

In a massive fundraising effort, led in large part by a few prominent venture capitalists and computer executives, the industry helped raise nearly $40 million to defeat the proposition. It proved a seminal moment for the high-tech industry, leading eventually to the birth of the Technology Network, a bipartisan group of executives and venture capitalists that has served as a magnet for legislators seeking a connection to Silicon Valley.

## A wake-up call

Just as this group began looking for ways to continue its existence, the Internet was transforming itself into the biggest business and commercial phenomenon of the century. Billionaires were popping up in Palo Alto office parks and entrepreneurs were trading in their 10-year-old Hondas for brand-new BMWs as public stock offerings created wealth more instantly than the region had ever seen.

CALIFORNIA MANUFACTURERS & TECHNOLOGY ASSOCIATION

New name and logo for California Manufacturers Association.

From its hub in downtown San Jose, Silicon Valley's legisla

With these sudden riches came several gradual realizations: First, the industry had something to lose. Second, the national spotlight and newfound financial muscle meant they could do something about it.

Dominated by venture capitalists and CEOs of Internet companies, TechNet early on decided to eschew more traditional lobbying practices in favor of one-on-one meetings between executives, legislators and policymakers.

Despite its roots in a California ballot issue, the group turned its primary focus to federal issues, while still contributing funds to a few statewide ballot initiatives and individual candidates. Not until late last year did it hire state policy director Adam Rak, who has begun meeting with Sacramento lawmakers.

"We're meeting up with legislators, and legislative staffers, letting them know we've staffed up our California policy team," Rak says. Nevertheless, his Capitol presence is still minimal enough to avoid having to register as an official lobbyist.

The number of traditional technology lobbyists is meanwhile expanding to match the industry's maturation. Casazza's office, for example, has grown, both in size and mandate.

It recently established its own political action committee, bankrolled with $55,000 from a handful of high-tech firms, through which it can contribute to legislative and statewide candidates, the first time the AEA has wielded such a tool.

Although a few in-house lobbyists, such as Intel's Richard Hall, prowl the Capitol's halls, their numbers are still small. Most technology firms hire outside lobbyists.

Microsoft — not itself a California firm but with customers and corporate partners affected by Sacramento policymaking — has hired both Barry Brokaw of Sacramento Advocates and Darius Anderson of Platinum Advisors for various pieces of its business. Intel has lobbyist Charles Halnan under contract. The prominent political law firm of Nielsen, Merksamer, Parrinello, Mueller & Naylor has attracted several big-name computer clients, including Oracle, Cisco Systems and Apple Computer. Governmental Advocates' Cliff Berg has linked up with various folks in the Net crowd, including giant America Online, its now-subsumed affiliate Netscape, data services company EDS, and Net financial firm I-Escrow.

## New allegiances

Berg's own experience lobbying



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: has matured along with its skyline.

for Net firms points up some of the difficulties in maintaining a consistent Sacramento presence.

In 1995, Berg signed on to represent Netscape, then one of the leading firms in the online industry. Nearly a year later, he said, one of the first Net-focused lobbying coalitions was formed, known as the California Internet Industry Alliance. Original members included some of the top firms in the emerging Web field — Netscape, America Online, CompuServe, Microsoft and Netcom.

But then Internet history intervened. America Online bought CompuServe. Relations between AOL and Microsoft soured. Telecommunications firm ICG Communications bought Netcom. And finally, in one of the acquisitions that helped reshape the Net's power structure, America Online bought Netscape itself.

With most of the original members working for different management or in the early stages of a cold war with one another, the group disbanded. Berg took over America Online's business shortly afterwards, and retains it today.

That experience is typical of what's happened throughout Silicon Valley as merger has followed merger, and catastrophic flops have followed what seemed to be sure-fire hits.

"Most Internet companies probably are too busy trying to make money and dealing with developments in the industry to worry about state government," Berg says.

Many of the technology industry's pet issues today are focused on the bottom line, little different from what any industry might identify as its most critical policy goals.

Tax issues rate high, particularly among long-established firms. After years of grousing about the hostile business climate in California, big business has seen its tax rates drop during the last few legislative sessions. And the momentum is continuing; in his budget this year, for example, Governor Gray Davis proposed a 3 percent hike in the corporate research and development tax credit, just a year after the Legislature bumped it by an incremental 1 percent. A proposed boost in the investment tax credit this year also had the backing of the larger firms represented by the California Manufacturers and Technology Association.

Transportation issues have also loomed large in the minds of technology firms, their importance driven home by the increasingly intolerable commute times on San Francisco Bay Area freeways. The congestion prompted many high-tech firms to line up behind Senate President pro Tempore John Burton's (D-San Francisco) proposed constitutional amendment earlier this year to make it easier for counties to raise sales taxes for transportation projects.

Internet issues also are receiving more focus from tech lobbyists, as well as from legislators who are hearing about "spam" and Internet privacy problems from businesses and individual constituents.

Net taxes are one of several issues that have fired up lobbying budgets both in Washington, D.C., and in Sacramento. Assemblyman Ted Lempert's (D-Palo Alto) move to extend a current moratorium on taxing Internet access has been widely supported by the technology community. Another bill introduced by Assemblywoman Carole Migden (D-San Francisco) would subject Net retailers to the same sales taxes paid by brick-and-mortar stores. That bill earned a lukewarm reception by many in the technology community.

Most technology lobbyists have pressed legislators to deal with wider issues of Internet taxation at the federal level, saying they want to avoid having a patchwork of tax laws among different state and local jurisdictions.

Online privacy issues, which captured national headlines this year, are being monitored but aren't a high-end


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Teresa Casazza

priority at the statewide level. A few bills, such as Assemblyman Howard Wayne's (D-San Diego) Internet Privacy Protection Act of 2000 and Senator Steve Peace's (D-El Cajon) Personal Information and Privacy Act, originally proposed sweeping privacy protections for consumers and individuals online, but most of the strongest provisions in the bills were amended out.

## Education tops the charts

Even before the governor jumped on the education bandwagon, technology companies have consistently identified improving schools as one of their top issues.

This is partly good public relations, but it also is very much a bottom-line issue for Silicon Valley companies with a long-term vision of their place in the state. For these companies, it's a simple equation: The technology industry lives and dies by the quality of the engineers, programmers and creative entrepreneurs who fill its ranks. California's schools don't turn out anywhere near the number or quality of technical graduates needed to drive this machine, they say.

"We've long been extremely concerned about having an educated work force," Hewlett-Packard's Berman said. "There is such a critical need for engineers and other (computer-literate) people right now."

TechNet was one of the early backers of a 1998 proposed ballot initiative to add more independently run charter schools to the state's public school system. As the ballot measure gained momentum, the Legislature was pressured into action, ultimately passsing a bill that satisfied the industry's desires and prompted the ballot measure's sponsor, Silicon Valley millionaire Reed Hastings, to abandon the initiative.

As one measure of the group's influence on education issues, Hastings, a former CEO of TechNet, now sits on the state Board of Education as a recent Davis appointee.

The lobbying effort on education policy is ongoing, however. The AEA, the California Manufacturers and Technology Association and others are working with Senator Dede Alpert (D-San Diego) on standards and accountability issues for schools. Many in the technology community also contributed significant time and money to the unsuccessful Proposition 26 on the March ballot, which would have allowed property taxes slated for schools to be raised by majority vote, instead of a two-thirds vote of local voters. The tech community is now supporting a "Son of Prop. 26" for the November ballot.

In the fast-paced world of high-tech, industry lobbyists say they spend much of their time educating lawmakers about what has changed in the last few months, trying to forestall passage of laws based on outmoded technology. And that's not likely to change, they say.

"When a legislator comes up with an idea for a law, it's often too late, or applies to an earlier version (of the technology)," Casazza says. "It's very hard to introduce legislation appropriate for this industry, given how fast it moves."

Nevertheless, the relationship between high-tech leaders and Capitol legislators has never been closer.

Ten years ago, when she was virtually the sole high-tech lobbyist in Sacramento, Casazza said, legislators were "more afraid of the industry, and knew less about it. . . and the industry just wanted to be left alone."

Today, "there's a lot of money, and a lot of power there. We're driving the economic engine." And Casazza is finding lots of company in the Capitol.

*John Borland, former* California Journal *associate editor, is senior writer for CNET News.com, an online technology news publication based in San Francisco. Comments on this story can be sent to* ***edit@statenet.com.***


Los Angeles Police Protective League

*Q: Who is leading the reforms at LAPD?*
*A: L.A. Police Protective League, representing 9,300 officers*

*We have called for:*

- *Civilian review of discipline*
- *Increased management oversight and accountability*
- *Restoration of community policing*
- *Legislation making evidence-planting a felony (AB 1993-Romero)*
- *Better hiring and retention incentives*

*Now that you know who is leading the reforms at LAPD, check us out at www.lapd.com*




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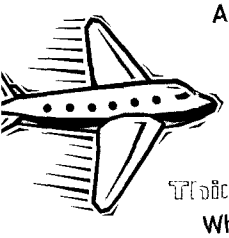
# Laptopper Lingo

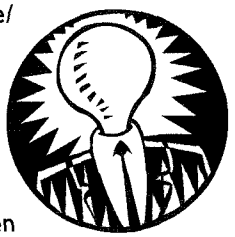
Want to sound techie but can't talk the talk? Get plugged in with the sampler of Silicon Valley-speak listed below. It's taken from the Web page of Steve Sabram, a Silicon Valley specialist in "user interface design" (which could itself use a definition), who has compiled "The Ultimate Silicon Valley Slang Page." It's located at www.sabram.com/slang.html.

### Nerd Bird



Any weekday direct flight between Austin, Texas, and San Jose, loaded with engineers and techies commuting between these two high-tech capitals.

### Think Time



What a human does when he/she gets an "idle event." One usually has plenty of think time during a slow network connection.

### Throw it over the wall

Get your part of a project done, then pass it off to the next team that has to worry about it. Mostly used when there is little contact or communication with the other group.

### Sac-ed (as in "Getting Sac-ed")

A local term referring to anything going the way of Sacramento. Many Silicon Valley companies have moved offices to Sacramento in hopes of bringing down costs. Typically mentioned when:

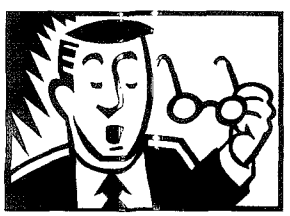
- you are moved there by your company
- things become too bureaucratic
- an unknown state tax bill is received
- it gets way too hot
- you can't find anything social to do after 10 p.m.

### Smoke Test

The first time electrical power is applied to a printed circuit board. If the board does not smoke from a short or overload, it has passed the Smoke Test.

### Lasagna Syndrome

Writing a piece of software with too many dialog boxes overlapping each other.



### Screen-Saver Face

The look one gets when bored to the point of shutting off one's brain.

### Shelfware (a.k.a. Coasterware)

Software that is so worthless it remains in the shrink-wrapped box on the shelf above your desk.

### Sneakernet

When data is transferred between workstations by copying it to a floppy and walking it to the intended workstation.

## Log onto Silicon Valley

Want to be more wired into California's computer culture? Check the following Web sites:

**www.siliconvalley.com** This *San Jose Mercury News* site offers up- to-the-minute news articles on technology issues, high-tech legislation, job postings and a database on Silicon Valley companies.

**www.salon.com/21st/follies/about/about.html** "Follies," a serial comedy sketch written by Thomas Scoville of online magazine *Salon*, follows six characters staking their claim in the Silicon Valley. It wryly captures the essence of Silicon Valley lifestyles in the Age of Tech.

**www.jointventure.org** Joint Venture: Silicon Valley Network brings together business, government and community leaders to address "smart growth" on such critical issues as K-12 education, the digital divide, affordable housing and transportation.

**www.svtarot.com** What's your future in the Silicon Valley? Can you find the venture capital you need to start your own dot-com? Will you spend the rest of your life working in a sea of cubicles? Get the answers with a free online Tarot Card reading designed for techies.

**www.technet.org/homepage.html** TechNet is a bipartisan political organization of more than 190 high-tech executives and venture capitalists. The TechNet Web site lists its members, policy achievements and legislative goals.

**www.internetvalley.com** This Internet consulting firm has compiled a fact-filled site that includes listings of the Top 100 computer firms, the Top 100 computer magazines and historical narratives of Silicon Valley and the Internet.

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# Down and out in

It's readily apparent that Silicon Valley's monied culture is different than anywhere else in the rest of the country. Where else do you see such an overabundance of Palm Pilots, Range Rovers and bungalows with million-dollar pricetags? Where else is there such a steady stream of cell-phone users yakking about their stock options?

Less visible are those who aren't cashing in on Silicon Valley's fabled fortunes. For them, the Valley has radically redefined what it means to be poor and homeless.

As fast as the Nasdaq is climbing, it's becoming harder and harder for the average Joe to afford living in Silicon Valley.

## Not everyone's a dot-com millionaire in the high-flying Valley, where food banks and homeless shelters are encountering a new kind of "poor."

By Lisa Fernandez

Simply put, their wages can't keep up with the skyrocketing housing prices, day-care bills and transportation costs that have become as endemic to Silicon Valley as laptops and pagers.

It's why a family of four earning $53,000 a year in San Mateo County is considered low-income by federal standards.

These working poor, particularly families, are getting squeezed out of their modest apartments by the influx of computer techies flooding the Valley. In turn, some of those families are showing up at homeless shelters, where they're competing for space with the traditional residents — single, white, male drug addicts.

### Redefining the poor

"What's changed is who is homeless," said Cassandra Benjamin, executive director of Shelter Network, which oversees two emergency shelters and four transitional residential homes serving about 2,000 of San Mateo County's estimated 4,500 homeless people. "It used to be about 70 percent single men," said Benjamin. "Now it's about 60 percent."

Making up the difference, she said, are families — mothers and fathers who can't afford to pay the rent and feed their kids on their minimum wage salaries. Five years ago, families made up 30 percent of the shelter's clientele. Today, that proportion has jumped to 40 percent.



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Sacred Heart Community Food Bank in San Jose serves Silicon Valley's working poor.

What's surprising is that more than half of the residents — 60 percent — in San Mateo County's shelters have paying jobs, according to Benjamin. The irony is that many are janitors, maids or service employees for large computer companies, such as Apple, Oracle or Cisco, whose abundance of well-paying jobs has inadvertently contributed to the high-priced housing problem.

At one of the Emergency Housing Consortium's shelters in San Jose, where 250 homeless residents have a bed and hot meals, it's not uncommon to see homeless residents wearing computer T-shirts, their names emblazoned in script below such logos as Sun Microsystems.

"We call them the uniform trades," said Maury Kendall, spokesman for the housing consortium. His agency serves about half the 20,000 homeless people in Santa Clara County, a region of 1.7 million residents. "Even though it's not a huge percentage," he said, "it's who they are that is different than the rest of the country."

Josette, a 27-year-old nurse's aide at the University of California, San Francisco, and a mother of three, never thought she'd be homeless. She earns $2,200 a month before taxes at the UCSF medical center, and was making ends meet, living with six other roommates in a house in the coastal town of Pacifica, where she rented a room for $500 a month. But there were personal differences and recently she was kicked out. Eight months pregnant at the time, she couldn't find an affordable apartment in the area. There was nothing cheaper than $850 a month, the maximum amount she figures she can pay. Josette sought help through the Shelter Network and is now living in one of its apartment houses with other homeless people, many of them families, in San Mateo, a stone's throw from Burlingame, where homes frequently command $1 million price tags.

"I never thought I'd be homeless," she said, nursing her 3-week-old baby, Joseph. "I had always thought the homeless were on drugs. I couldn't think of any other reason (for being homeless.)"

## Struggling to make ends meet

Josette, who asked that her last name not be used, is hoping to find an apartment in Oakland and drive across a toll bridge to work, paying $1.89 a gallon in gas plus a $2 toll each day. Despite looking fruitlessly for a place to live for three months, she's still hopeful that she'll be living on her own in about a month, receiving subsidized day care for her baby and two older children, Cindy, 9, and Carl, 3. On a recent evening, she cuddled her newborn and admonished Carl to play nicely with the other half a dozen kids scampering around the white stucco apartment building, converted into a homeless shelter, located alongside train tracks in a working-class neighborhood. She said there is always enough food, even though the selections are not always her favorite and she must eat meals at the prescribed times when the shelter opens its kitchen. And while the other residents are nice enough, Josette still wants to be out on her own.

Until then, she keeps her status a secret from her colleagues at work, and even from many of her family members.

"I don't tell people at work because of the stigma," she said. "All of them own their own homes, the nurses and doctors. They all seem to be OK."

Her brother and sister are in their early 20s, and have "arrogant" attitudes about the homeless, she said.

Josette said she isn't bitter about where she is, but thinks it's a shame that she and so many others are living in a homeless shelter.

"You have to be so rich to live around here," she said. "Normal, working families are left homeless. They all don't make a great income, but they shouldn't be homeless."

## A changing culture

Because so many of the "nouveau homeless" are not on drugs and are not mentally ill, the culture of these homeless shelters has changed dramatically.

"Suddenly, we're finding people with no issues," said Kendall, referring to drug abuse, alcohol addiction and mental health problems. Ironically, he says the lack of such problems makes it harder for homeless shelters to obtain federal funding. The government is accustomed to supporting traditional programs, such as drug and alcohol



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rehabilitation services.

"The feds don't want to pay for just a shelter," Kendall said.

So homeless shelters have had to become creative to meet the needs of their changing clientele.

The Emergency Housing Consortium, in conjunction

Kids and parents find a haven at the Shelter Network in San Mateo County.

with San Jose's redevelopment agency and Cisco Systems, formed an academy less than a year ago to train homeless individuals for computer industry jobs – in six to nine months. There's no guarantee of a job, but because the company has such a high demand for workers, almost everyone trained gets hired. Starting salaries begin at about $40,000 a year.

Gary Williams, 47, is hoping to get accepted into the Cisco Systems Networking Academy, so he can move his girlfriend and her three children out of the homeless shelter in Redwood City, where they are now living. They were homeless in Southern California, too, but moved up to Silicon Valley after hearing of better opportunities.

"I guess I've been homeless partly because of laziness," said Williams, now working as a handyman for $8 an hour. "There was no incentive down there. There was no industry."

Now, seeing all the money in Silicon Valley, Williams feels motivated.

"There's plenty of work here," he said. "It changes your way of thinking."

The three biggest bites out of a Silicon Valley family income are rent, child care and transportation costs. To stretch their budgets, some of the Valley's working poor are relying more on food banks.

The Second Harvest Food Bank of Santa Clara and San Mateo counties has seen an almost 7 percent increase from last year in the number of people served, up to 116,000 families a month, and a nearly 13 percent increase in the amount consumed, to 19 million pounds of food annually.

"Food is at the bottom of the (priority) list," said food bank spokeswoman Jenny Luciano. "People say, 'I can eat less this month.' But they can't show up late for work or bargain with their utility companies."

## When food is a frill

She said people start by cutting back on their food intake, thinking they can eat less and less, until they have virtually nothing left in the kitchen cupboard. "These are low-income families we're talking about. They're working two, three, four jobs just to keep up. The cost of housing, transportation and child care is eating up gads of their income."

Advocates for the poor don't place all the blame for the lack of housing on Silicon Valley's Gold Rush, which has lured so many to the region for high-paying technology jobs.

But the scarcity of housing in the face of all the jobs flowing into the region has driven rental rates and home prices out of sight for most working, low-income families. Whether it's buying or renting, the working poor are at a distinct disadvantage in a region where only 38 percent of the homes were affordable to those on a median income in 1999, according to Joint Venture: Silicon Valley Network, which tracks the Valley's economic indicators. For those who want to rent rather than buy, the average monthly rental rate in Santa Clara County has crept steadily upward, to $1,357 in 1999. At the same time, available rentals are scarce with the vacancy rate hovering at just 3 percent, according to Joint Venture.

That leaves workers with few options. The situation became so desperate that the San Francisco Unified School District recently announced it would build a $15 million, subsidized rental apartment building — for its public schoolteachers. In San Jose, city officials are considering similar measures to ease the burden on workers who aren't bringing home tech-sized paychecks.

What will life be like if so many workers are steamrollered out of the Silicon Valley? What will become of a region if its gardeners, housekeepers, McDonald's employees, teachers and police officers can't live in the same community?

As Karen James, 36, a homeless mother in Redwood City, sees it, life won't be very good. A healthy community needs all socio-economic levels. That's why she's refusing to move, and is planning to take a course in computers.

"I'm hopeful that I'll find a job," she said. "I have faith in God." These days, that, and an armload of computer classes, may be just what it takes.

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*Lisa Fernandez is a reporter for* The San Jose Mercury News. *Comments may be sent to* **edit@statenet.com.**

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# CalPERS ventures

## As tech firms look ever harder for start-up funding, many are finding it in the hands of state government

by Mary Beth Barber

There is a new type of performance art in California today. Forget poetry jams or weird absurd plays. The latest form of performance art is called the "5-minute pitch" and it plays to jam-packed audiences. It goes something like this:

It's standing room only, and the room is crammed with VIPs. One by one the performers take to the stage and vividly describe, in five minutes or less, how they're going to make millions of dollars off their ideas. They arrive with stars in their eyes and business plans in their pockets, determined to acquire financial backing for their dreams. With only mere minutes to convince the audience of money-holders that their start-up idea will become the next Netscape or Amazon.com, they will scream, shout and virtually stand on their heads to get just one or two individuals in the audience interested in bankrolling their dream.

This new "performance art" is how many fledgling Internet and technology companies got started. In the past, the audience for the 5-minute pitch consisted mostly of experienced investors from venture-capital firms willing to take young entrepreneurs under their wing, or wealthy individual "angel" investors who want a piece of an emerging company. It was no place for a conservative investor.

But the success of so many e-commerce and technology newbies in Silicon Valley and elsewhere has caused normally cautious investors to want a piece of the action, too. California now ranks first among states in capturing venture-capital investments, scooping up nearly half – $16.9 billion – of the $35.6 billion invested nationwide.

One of the biggest to move into this burgeoning venture-capital market is the California Public Employees' Retirement System (CalPERS), a gentle giant in the financial world.

With investment holdings of roughly $175 billion, CalPERS is the largest public pension fund in the United States. Typically, it has invested the bulk of the retirement savings of millions of California state employees in safe investments like mutual funds or stock from well-known companies with predictable profit and revenue margins, such as General Motors or Microsoft.

But early in the 1990s, CalPERS joined the clamor of investors eager to dive into the booming economy of Internet and technology firms. As the market heated up and the performance record of technology firms soared, so did CalPERS' interest. By the late 1990s, the CalPERS board decided to take



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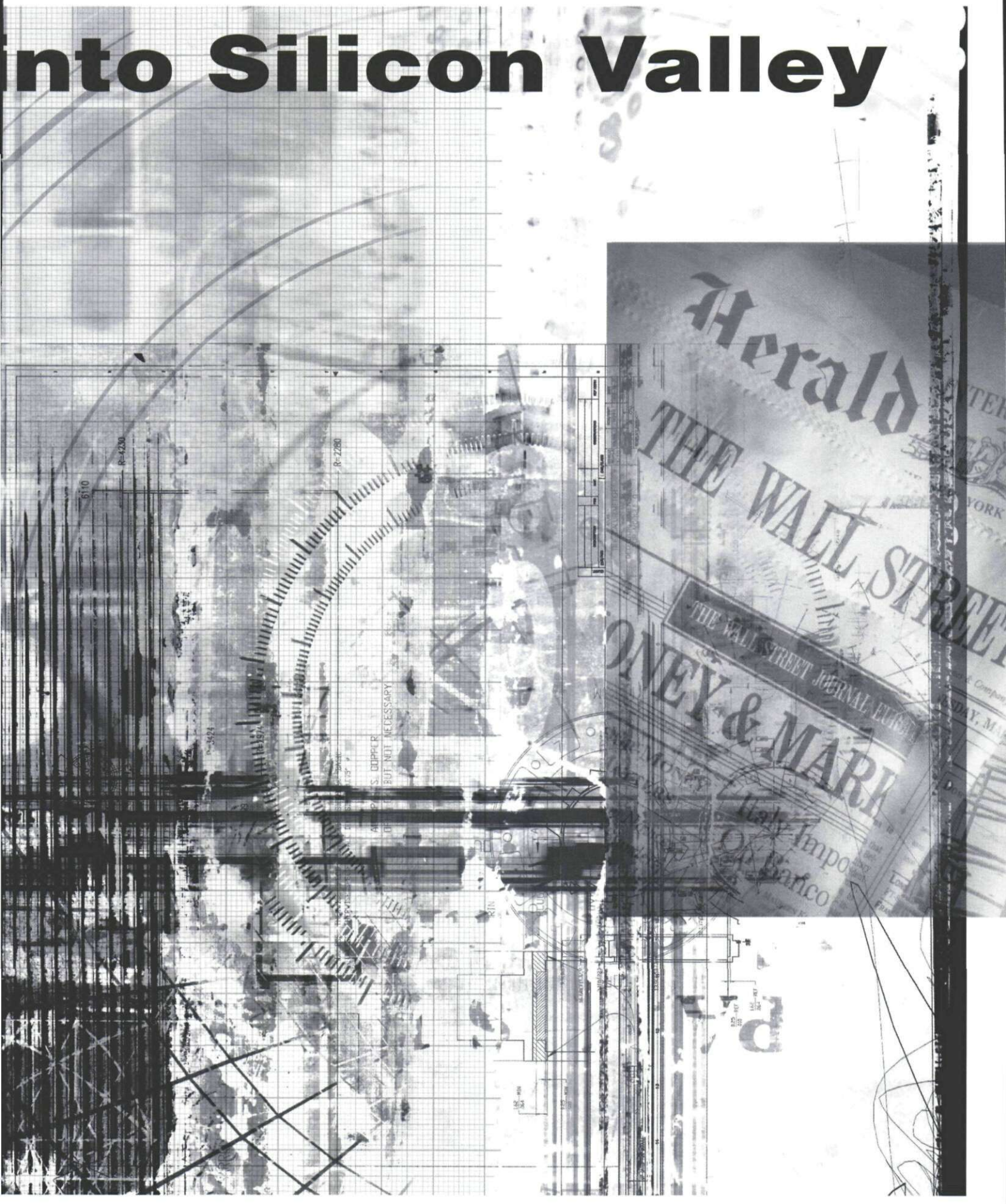
# nto Silicon Valley

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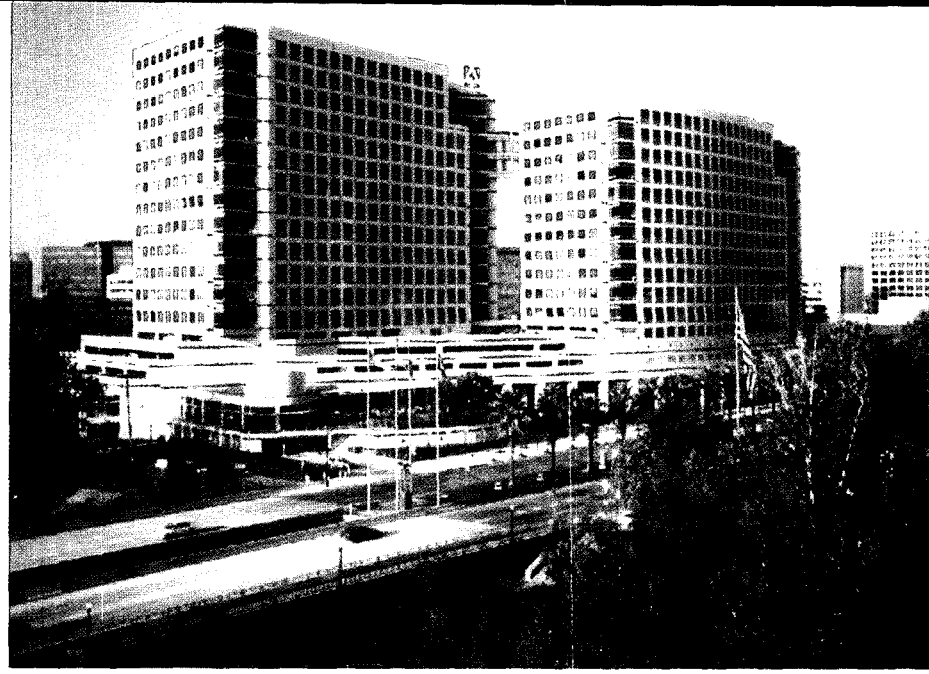
a more aggressive stance in this "new economy" by expanding the "alternative investment/private equity" portion of its portfolio.

Just the fact that CalPERS is making these moves is notable. Pension funds are designed to create safe, slowly accruing retirement accounts for members. Anything labeled "high-risk" is typically not part of a pension's investment portfolio. In fact, before 1978 it was illegal for private pension fund managers to invest in venture capital or stocks and funds that were labeled "high risk," according to insurance and risk-management professor Olivia Mitchell of the Wharton Business School at the University of Pennsylvania.

These so-called "prudent man" laws never applied to state pension funds because of constitutional states' rights issues that excluded them from federal law, Mitchell said, "but state pensions abided by them in practice anyway."



Venture capital flows to start-ups that one day may loom as large as Adobe Systems.

## Doing something different

"Pension funds started doing things differently about 25 years ago," said Derik Lemke, co-director of private equity at Thomas Weisel Partners, an 18-month-old San Francisco investment bank that specializes in technology companies and is partnered with CalPERS. "That's not new. What is new is the amount to which CalPERS has put a large chunk into doing something different," including private equity, venture-capital funding, real estate ventures and gas and oil projects.

Barry Gonder, manager of CalPERS' alternative investment program, says moving into this new territory makes CalPERS a leader among government pension funds. Only a handful of other public pension funds have started to look beyond their traditional, low-risk investments, he said. "Pension funds have been slow to move into private equity, and even slower to move into venture capital," he said.

CalPERS' 1.1 million members have little reason to fear that their fund managers are risking their retirement money on a handful of brand-new "dot-coms," said Gonder. Currently, only 3.5 percent of the entire portfolio — or roughly $6 billion — is dedicated to these types of investments, although the eventual target is 7 percent.

"They are high-risk investments," said CalPERS spokesman Brad Pacheco, "but the review and research into a firm is so thorough before we make an investment that the risk is not that great. It's not like CalPERS is throwing money at anyone with an idea for a Web site. We're investing with some of the brightest minds in the investment world."

Exactly where to prudently invest that current $6 billion in the market is not an easy task. State Controller Kathleen Connell, who worked in Wall Street and headed up her own investment bank before entering public life, typically abstains from CalPERS board discussions and votes concerning private equity matters to avoid the appearance of a conflict of interest.

But she's noticed a marked change in approach by money managers everywhere, who now view venture funds as a mainstream investment technique. "When I came on as controller in 1995, it was still considered a somewhat untested asset class," said Connell. "Now there's dabbling in venture capital. Everyone has a venture-capital component."

But Connell, who admitted she has very traditional views on the financial world, is cautious when it comes to venture capital projects and risky technology stocks. Nor does she believe that the fantastic returns seen in the 1990s will continue.

"I don't think it's a blip in the market; I think it's a redirection," she said of the recent erratic behavior of the Nasdaq Composite index that is dominated by new technology and Internet stocks. "We've had a great run with our venture capital," Connell said, "but there's a question whether it will last."

## Lack of direction?

She is especially critical of a new wave of venture backers who have plenty of cash to give away to burgeoning new companies but no management experience to pass along.

"There are two components [of venture capital] — the funding, and then the education," said Connell. In the past, when a young company received financing from a venture-capital organization, the VC kept a tight rein on the company's management strategy. But many of these young companies today are being sponsored by inexperienced backers who give their companies no direction whatsoever.

"These people have [portrayed] themselves as venture capitalists, but they're not," said Connell. "You have to know how to distinguish between substantial business



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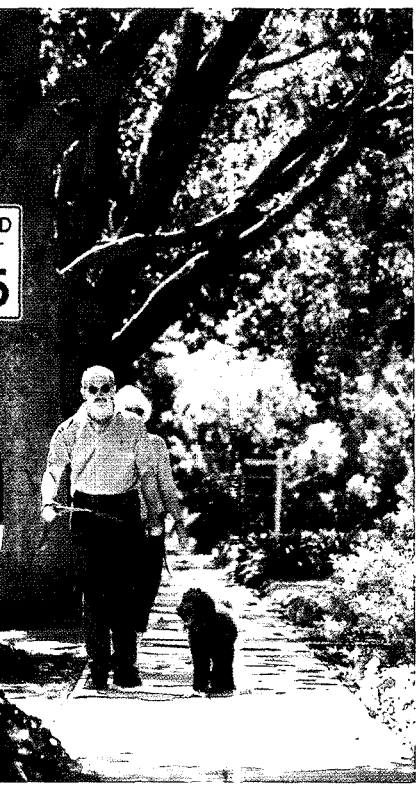
plans and those that are a flight of fancy."

Gonder's philosophy on how to approach new ventures and private equity mirrors Connell's, and the alternative investment department's strategy emphasizes working with experienced venture capitalists who keep a close watch on their "incubated" companies.

In October 1998, CalPERS gave Grove Street Advisors, an established venture-capital firm from Boston, Massachusetts, approximately $350 million in seed money to fund a number of venture capital projects. The investments that Grove Street chose ranged from eToys to IdeaLabs, a firm that backs Internet-focused companies. By the end of 1999, those investments had generated a 182 percent return.



ging Baby Boomers are contributing to the oost in venture capital.

"We can't expect that rate of return all the time, but it's still phenomenal," said CalPERS spokesman Pacheco. Pleased with that result, CalPERS this past April handed Grove Street another $400 million to invest in venture capital projects.

The CalPERS board recently approved investing $500 million in biotech. "A lot of (other funds) are reluctant to invest in new firms. They think they're too risky," said Gonder. "We see them as farm teams," he said, referring to young baseball players who eventually make their way up to the major leagues.

Gonder won approval from the CalPERS board to create a $500 million biotech fund that would invest in the new frontier of DNA and genetic mapping and a $500 million "California Initiative Fund" that would invest in emerging companies located in rural or underserved urban areas of the state.

Gonder explained that it's Grove Street's job to differentiate between the best and the worst ventures in the market for CalPERS. "A small investment takes the same amount of time and energy as a large investment," he said, and because these alternative investments are new for CalPERS, it made sense to partner with an experienced firm like Grove Street.

That's also why CalPERS partnered up with Thomas Weisel's investment bank when it opened 18 months ago. Rather than hiring dozens of new staff members to research and analyze technology trends and high-tech companies, CalPERS chose to partner with an institution dedicated to computers and technology.

George Cluff, a business professor at the University of California, Berkeley, believes there may be a connection between the explosion in venture capital available for start-up companies and the country's changing demographics.

## Baby Boomer boost

Baby Boomers who have worked for years are now at a point where their salaries are high — and so are their concerns about retirement money. Many are looking for high-return investments, just as publicity surrounding the success of Internet start-ups has exploded. The more newspaper articles that appear about successful entrepreneurs, the more money becomes available for other entrepreneurs, contributing to the gargantuan gains in the stock market and another cycle of capital available for new ventures.

Some of these investors coming to the aid of fledgling start-ups are wealthy so-called "angels" who bankroll new high-tech businesses. But a larger chunk comes from Baby Boomers' retirement IRAs and 401(k) plans, said Cluff.

"Suddenly there was a lot of cash available, a lot of people playing the stock market and investing in those IPOs and other ventures," he said.

One of the spinoff advantages to CalPERS' investments in technology is that most of the companies seeking financial backing are right in California's backyard, Silicon Valley. The appeal of venture capital is its potential to create new jobs for Californians while at the same time assuring a solid rate of return on a portion of CalPERS' portfolio.

CalPERS' investment in California technology companies and the creation of the investment banking firm of Thomas Weisel Partners in San Francisco may be the first signs of what best-selling business author Michael Lewis noted in his recent book *The New New Thing*: The financing once found only on Wall Street is now moving west. Start-ups no longer need to head to New York and its long-established money managers to find the financial backing they need.

Harris thinks it's only appropriate that large investors like CalPERS invest in young, growing companies. Historically, the accepted theory is that if the billion-dollar companies are doing well, then the economy is doing well.

"But it's really all the venture-backed companies that are driving the economy," especially the technology companies, he said. "It's nicknamed the 'New Economy,' but it's really been going on for years," Harris noted.

Some make it big like Cisco or Microsoft. But it's the thousands of smaller companies that have been built on venture capital and private equity during the past three decades that have made Silicon Valley the booming frontier it is today.

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*Mary Beth Barber a former assistant editor of the* California Journal, *currently a freelance writer in New York City. Comments on this story may be sent to* ***edit@statenet.com.***

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# For convention junkies, it's the summer of love

by Marc Sandalow

Opening night of the Democratic National Convention. Monday, August 14, 2000:

THE DREAM: Crystal-clear skies highlight the San Gabriel Mountains as Democrats of all colors — brown, black, Asian and white — pay a harmonious tribute to their nominee.

THE NIGHTMARE: Violent protesters clash with corrupt police while out-of-town journalists head to the Hsi Lai Temple.

THE REALITY: Millions of viewers watch the Tennessee Titans host the St. Louis Rams on prime-time TV ignoring the halftime "convention update."

The sobering truth, at least for those of us who make a living writing about such things, is that next month's Democratic Convention in Los Angeles is unlikely to provide more than a fleeting moment of interest to the masses.

Balloons, waving flags, patriotic videos and unbridled oratory may be a hoot to the 4,000 delegates inside the convention center, but for the viewing audience it hardly contains the suspense of "Who Wants to be a Millionaire?"

Political nominating conventions, to most people, are like public TV pledge drives — annoying, monotonous, yet somehow inevitable.

So why, as Democrats return to Los Angeles for the first time in 40 years, has the city pledged millions of dollars to the event? Why has the Democratic Party hit up its donors for tens of millions of dollars to produce a four-day spectacle which — if they are lucky — will be derided as uneventful? Why will 15,000 journalists combine to spend more than $100 million to chronicle the meeting?

The answer, contrary to the naysaying that gets louder every four years, is that the Democratic Convention, like its GOP counterpart in Philadelphia, which begins July 31, is an important gathering.

City leaders believe it gives them the chance to show off Hollywood, the beaches, the *glitterati,* and convince an international audience that the smog has moved to Houston.

For the party, the convention allows grassroots activists a chance to see their leaders and get energized for the upcoming election. It is a forum to debate whether free trade is good for American workers; whether the surplus should be used for education, health care or paying down the debt.

For the journalists, it is a chance to chronicle the state of the election, to schmooze with decision-makers and observe the country's leaders. It marks the beginning of the campaign in earnest and is a chance to sharpen the distinctions between the parties.

The reason conventions endure such public scorn and ridicule is that the party and the media — each of whom is interested in big audiences — pretend that they are matters of great entertainment and suspense. They are not.

**Just because an event is not laced with suspense does not mean it is not significant.**

The days when multiple ballots and backroom deals kept the outcome in doubt until the early morning hours are long gone. It has been at least 20 years, since Ted Kennedy fought over the release of delegates in New York City, that there has been even a morsel of uncertainty over the outcome of the balloting.

Gore's grip on the nomination has been secure for several months. Except for the selection of the vice president — a decision that in all likelihood will be made in advance of the convention but kept secret to artificially maintain suspense — the events are so scripted that they lose their entertainment appeal.

This is no reason to scowl. Smoke filled rooms may provide great suspense, but there is no reason to believe they benefit the public. And just because an event is not laced with suspense does not mean it is not significant.

Don't fret when the media, particularly network television, scale back their coverage. They are merely responding to the diminished news value of the event.

Political junkies can watch the speeches on cable TV or the Internet to figure out whom the party is promoting for the future, what issues will determine the election and how the candidates react to the national spotlight.

For this audience, nothing could be more entertaining.

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*Contributing editor Marc Sandalow is Washington Bureau Chief for the* San Francisco Chronicle. *Comments may be sent to* **edit@statenet.com.**



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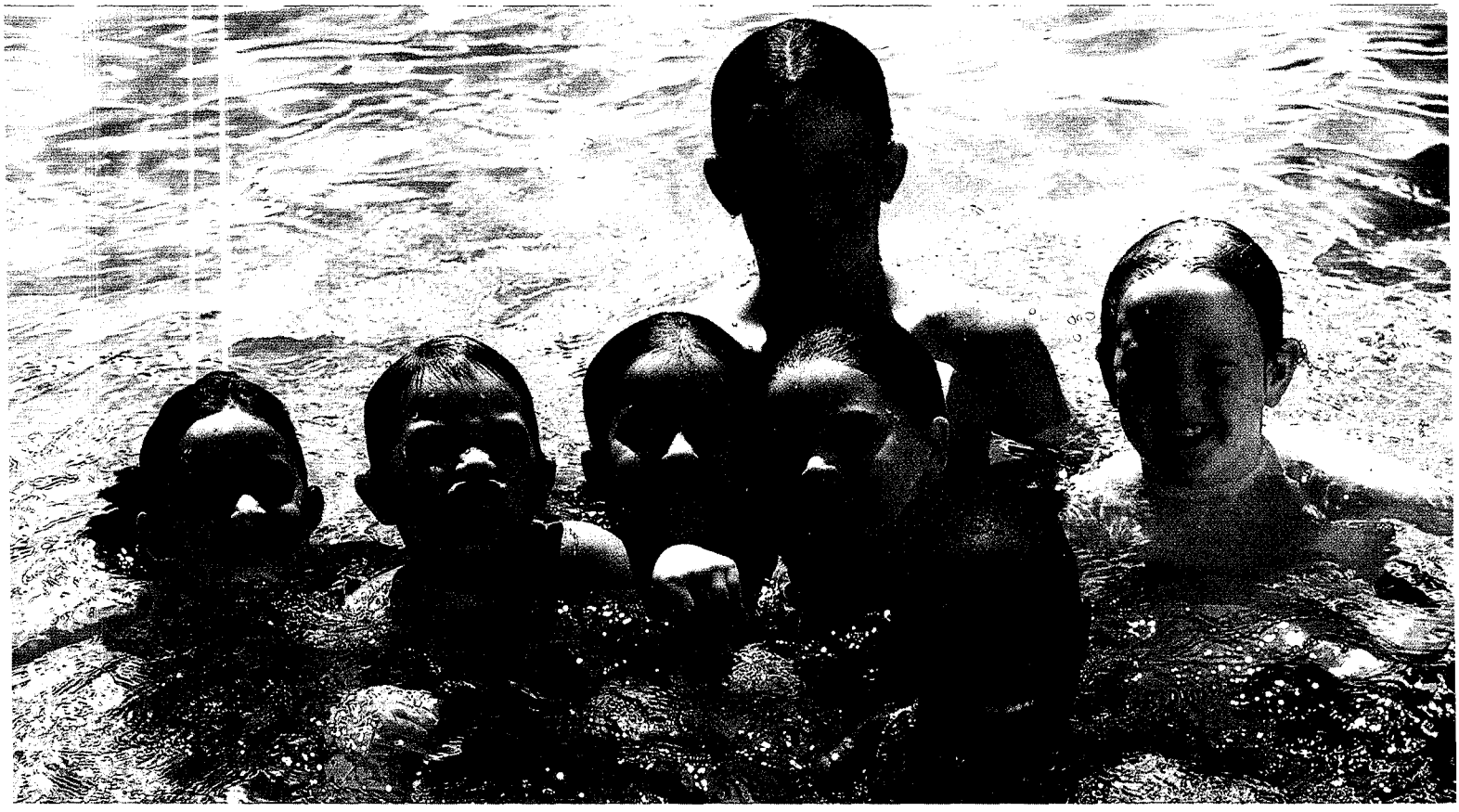
# IF YOU THINK THEY'RE HAPPY ABOUT THE WATER, YOU OUGHT TO SEE THE MAYOR.



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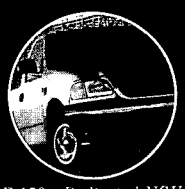

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